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Copy 1 of 7

NEGOTIATED CONTRACT

Contract No. HF-CT-696Hycon Mfg. Company  
Pasadena, California

Contract for: See Schedule

Amount: \$135,000.00

Mail Invoices to:

Performance Period:

1 July 1958 thru 30 June 1959

Administrative Data:

This contract is entered into, by and between the United States of America, hereinafter called the Government, represented by the Contracting Officer executing this contract, and the above-named Contractor which is a Corporation, incorporated in the State of Delaware, hereinafter called the Contractor.

The parties hereto agree that the Contractor shall furnish the necessary personnel and shall perform all the services set forth in the attached Schedule issued hereunder for the consideration stated therein.

The rights and obligations of the parties to this contract shall be subject to and governed by the attached Schedule and General Provisions, which together with this signature page and the accompanying certificate comprise this Contract No. HF-CT-696. In the event of any inconsistency between the Schedule and the General Provisions, the Schedule shall control.

IN WITNESS WHEREOF, the parties hereto have executed this contract as of

JUL 1 1958, 1958.

Signatures:

HYCON MFG. COMPANY

THE UNITED STATES OF AMERICA

By

Contracting Officer

Title Vice President, Engineering

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CERTIFICATE

I, , certify that

I am the Ass't. Secretary-Treasurer of the Corporation named  
as Contractor herein; that  who  
signed this contract on behalf of the Contractor was then Vice President, Engineering of said Corporation; that said con-  
tract was duly signed for and in behalf of said Corporation by  
authority of its governing body, and is within the scope of its Cor-  
porate powers.

(Corporate Seal)

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SCHEDULEPART I - ARTICLES AND SUPPLIES TO BE FURNISHED

(a) The Contractor shall furnish to the Government such equipment, spare parts, modification kits, components, and data for equipment of types which have been, are being or may hereinafter be manufactured by the Contractor as the Government may call for hereunder. Quantities of the supplies to be furnished shall be determined as hereinafter provided.

(b) From time to time the Government will furnish lists to the Contractor which set forth the items the Government desires to procure together with the desired delivery schedule and the estimated dollar amount thereof. These lists will be in the form of (a) a Depot Purchase Request issued by the Depot Supply Officer or (b) a Hqs. request from the Contracting Officer or his authorized representatives in the case of Customer No. 2. The Contractor will promptly delete from said purchase requests any items rendered obsolete by design changes and insert in lieu thereof, superseding and interchangeable items, if any, in the same or lesser quantities, as appropriate. Contractor will generate a Production List for each Customer from such Depot Purchase Requests and/or Contracting Officer requests and shall transmit three (3) copies if for Customer 1 and six (6) copies if for Customer 2, together with any pertinent information concerning the superseded items to the Contracting Officer and his duly authorized representatives. The Contractor will include an estimated price and an estimated delivery date on each Production List submitted. The Contractor will be obligated to furnish the items in the quantities listed therein, and subject to its rights elsewhere specified in this contract, the Government will be obligated to take delivery of the items so furnished on a Production List. The Contractor is hereby authorized to make delivery in advance of the schedule appearing on any Production List under this contract.

(c) If it appears to the Contractor at any time that the total price of the total quantity of items covered by any or all Production Lists issued for a specified Customer is likely to exceed the funds allotted hereunder in Part VII for said Customer, the Contractor shall notify the Contracting Officer and the authorized representative of the amount of such excess. Within thirty (30) days after receipt of such notice, the Government will either notify the Contractor it has taken action to increase the funds allotted for a customer, or will notify the Contractor of the items or quantities to be deleted from such Production Lists in order to bring it within the dollar amount thereof. If the Government fails to act within said thirty-day period, the Contractor shall submit to the Contracting Officer and the authorized representatives a recommendation of the parts to be deleted to bring the Production Lists within said dollar amount and the Contracting Officer shall approve or disapprove such recommendations within ten (10) days after receipt thereof. If the Contracting Officer fails to act within said ten (10) day period, the recommendation of the Contractor shall be deemed to have been approved and the Production Lists shall be modified accordingly. If the Government deletes items or quantities from a Production List, such action shall be considered a partial termination under the clause hereof entitled Termination for Convenience of the Government.

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**PART II - PROCEDURE FOR PRICING**

(a) As soon as practicable after receipt by the Contractor from the Contracting Officer or his authorized representatives of a request or Depot Purchase Request, as appropriate, but in no event more than sixty (60) days after such receipt, the Contractor shall prepare and submit to the Contracting Officer a Proposed Call List (Priced Exhibit) for each customer which shall include thereon the numbers of the Production Lists which are applicable thereto and the unit and total prices and delivery schedule covering the items shown thereon. A reproducible original and seven (7) copies of the Proposed Call List will be prepared and shall be delivered promptly by the Contractor to the Contracting Officer. The reproducible and three (3) copies shall carry at the end thereof, a certificate manually signed by an officer or other person authorized to bind the Contractor, stating that the prices therein represent a firm quotation. Each such Call shall require the written approval of the Contracting Officer stating that the prices therein are fair and reasonable. Each such call shall set forth therein the total dollar amount thereof.

(b) If the Proposed Call List is approved by the Contracting Officer it shall be a numbered Call to the contract. If the Contracting Officer and the Contractor fail to agree on Prices in the Proposed Call List, the failure to agree shall be deemed a disagreement as to a question of fact which shall be disposed of in accordance with the clause thereof entitled "Disputes". The Contracting Officer shall reduce to writing by a Proposed Call List his decision, containing prices he believes fair and reasonable. The prices decided by the Contracting Officer shall be paid upon all deliveries, pending final decision of the dispute.

(c) Upon approval of any Call List, the Contracting Officer shall deliver a copy thereof to the Contractor and forward one copy thereof bearing his written approval to the Finance Officer responsible for making payments under this contract. Upon Government's acceptance of delivery of any of the items listed on an Approved Call List, the Contractor shall be entitled to be paid therefor at the prices shown on the Approved Call List.

(d) The Contractor shall be paid upon the submission monthly of properly certified invoices or vouchers, for partial deliveries accepted by the Government, or, when requested by the Contractor, payment for accepted partial deliveries shall be made whenever such payment would equal or exceed either \$1,000.00 or 50% of the total amount of the Approved Call List.

**PART III - DELIVERY**

Deliveries shall be made in accordance with the delivery schedules set forth in the Approved Call Lists as may be generated under this contract from time to time.

**PART IV - INSPECTION AND ACCEPTANCE**

All supplies and services to be furnished under this contract shall be shipped FOB Contractor's or Subcontractor's plant in accordance with shipping instructions to be issued at a later date.

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All services, material and workmanship shall be subject to inspection and test by representatives of the Government. For this purpose, the Contractor shall allow at all reasonable times, to the extent approved in writing by the Contracting Officer or his duly authorized representative, inspectors and other Government personnel free access to the plant and operations and shall provide all reasonable facilities and assistance for the safety and convenience of the Government inspectors in the performance of their duties.

Inspection and acceptance of the items contracted for under this contract shall be made by the Government at the Contractor's plant, with respect to any items fabricated and/or assembled and packed as individual or integral units at the Contractor's plant. With respect to items fabricated and/or assembled and packed as individual or integral units at subcontractors' plants, the point of inspection and acceptance shall be at the plant of such subcontractor.

#### PART V - PERIOD OF PERFORMANCE

(a) The Contractor shall furnish the articles and supplies requested hereunder during the period 1 July 1958 through 30 June 1959.

(b) The Government is granted the right and option of renewing or extending this contract for any additional periods of time but not to exceed 30 June 1960. This option to extend will be exercised by issuance of an Amendment to this contract.

#### PART VI - ESTABLISHING OF A PRICING FORMULA

The parties hereto shall negotiate and establish a fixed pricing method for certain periods of time. The agreed upon formula(s) shall be set forth in an amendment hereto.

#### PART VII - FUNDS ALLOTTED

For the purposes of this contract there has been allotted the following amounts:

<u>Period</u>	<u>Customer</u>	<u>Amount</u>	<u>Total Amount</u>
1 July 1958 - 30 June 1959	No. 1	\$67,500*	\$135,000
	No. 2	<u>67,500</u>	

(\*contingent upon availability of funds for this purpose for Customer No. 1 during the Government's Fiscal Year 1959).

When preparing a Proposed Call List, Contractor shall indicate thereon the customer to which such document relates. Further, the Invoices shall indicate (1) the period involved, (2) the total funds allotted for said period less the total of all previous Invoices theretofore submitted, thereby (3) showing the balance of funds available for expenditure in that period. Under this amount shall be set forth the amount currently being claimed, reflecting the Call List Number, the line item number, quantity, unit price and total prices therefor.

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All Depot Purchase Requests or Contracting Officer authorizations received prior to the end of a period should be charged to the funds allotted for that period notwithstanding the preparation of the Call List, work performed and invoices submitted after close of the period.

Contractor will indicate on final invoices for each customer that such invoice is its final claim for that period and inform the Contracting Officer of the unexpended amount for each customer. Unexpended funds at the end of a period for Customer No. 1 are not authorized for use in a subsequent period. Unexpended funds at the end of a period for Customer No. 2 are available for use in a subsequent period and upon notification of the amount of such funds, the contract shall be amended to either transfer such funds to the subsequent period or remove them from the contract. If, at any time, the Contractor is of the opinion that the cost of such work will exceed the amount set forth above, it shall notify the Contracting Officer in accordance with the provisions of paragraph (c) of Part I.

#### PART VIII - WAIVER OF REQUIREMENTS OF GENERAL PROVISIONS

Notwithstanding the requirements of any of the General Provisions of this contract to the contrary, whensoever the Contractor, in performance of the work under this contract, shall find that the requirements of any of the clauses of the General Provisions are in conflict with security instructions issued to the Contractor by the Contracting Officer or by his duly authorized representative for security matters, the Contractor shall call the attention of the Contracting Officer to such conflict and the Contracting Officer or his duly authorized representative for security matters shall (i) modify or rescind such security requirements or (ii) the Contracting Officer shall issue to the Contractor a waiver of compliance with the requirements of the General Provisions conflicting with such security requirements. Any waiver of compliance with the General Provisions of this contract issued by the Contracting Officer shall be in writing, except that the approval by the Contracting Officer of any subcontract issued hereunder by the Contractor shall be deemed to constitute approval of waiver of any clauses of the General Provisions in conflict with the stipulations of such subcontract.

#### PART IX - SPECIAL SECURITY RESTRICTIONS

The Contractor shall not reveal (i) the specific nature or any details of the work being performed hereunder or (ii) any information whatsoever with respect to the department of the Government sponsoring this contract and the work thereunder except as the Contractor is directed or permitted to reveal such information by the Contracting Officer or by his duly authorized representative for security matters, and notwithstanding any clause or section of this contract to the contrary, the Contractor shall not interpret any clause or section of this contract as requiring or permitting divulgence of such information to any person, public or private, or to any officer or department of the Government without the express consent of the Contracting Officer or his duly authorized representative for security matters.

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**PART X - ANTICIPATORY COSTS**

All costs, which have been incurred by the Contractor on and after 1 July 1958 in anticipation of this contract and prior to its signing, and which if incurred after signing would have been considered allowable items of cost for this contract, shall be considered as allowable items of cost hereunder.

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Production List No. \_\_\_\_\_ To Contract No. \_\_\_\_\_

FROM: \_\_\_\_\_  
(Authorized Representative)

TO: \_\_\_\_\_  
(Contractor)

THROUGH \_\_\_\_\_  
(Contracting Officer)

Item No.	Part No.	Nomenclature	Qty.	Estimated Cost	Remarks
-------------	-------------	--------------	------	----------------	---------

Preservation, Packing, Packaging and Preservation:

Delivery: Shipment of above parts is desired in \_\_\_\_\_.

APPROVED: \_\_\_\_\_  
(Date)

SIGNED: \_\_\_\_\_  
(Authorized Representative)

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Exhibit No. \_\_\_\_\_ To Contract \_\_\_\_\_  
Date \_\_\_\_\_

FROM: \_\_\_\_\_  
(Contractor)

TO: \_\_\_\_\_  
(Contracting Officer)

Item No.	Part No.	Nomenclature	Qty.	Unit Price	Total Price
1	5-6724130	Pulse Stretcher	25	10.00	\$250.00

Delivery: Shipment of above parts to be made in March 1958

Prices are fair and reasonable and this Exhibit is hereby approved.

\$ \_\_\_\_\_

SIGNED: \_\_\_\_\_  
(Contracting Officer)

Contractor warrants prices conform to the price formula in effect on date of this Exhibit.

SIGNED: \_\_\_\_\_  
(Contractor)

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## GENERAL PROVISIONS

### 1. DEFINITIONS

As used throughout this contract, the following terms shall have the meanings set forth below:

(a) The term "Secretary" means the Secretary, the Under Secretary, or any Assistant Secretary of the Department and the head or any assistant head of the executive agency; and the term "his duly authorized representative" means any person or persons or board (other than the Contracting Officer) authorized to act for the Secretary; and the term "Department" means that component of the Government having cognizance of this contract and represented by the Contracting Officer executing this contract.

(b) The term "Contracting Officer" means the person executing this contract on behalf of the Government, and any other officer or civilian employee who is a properly designated Contracting Officer; and the term includes, except as otherwise provided in this contract, the authorized representative of a Contracting Officer acting within the limits of his authority.

(c) Except as otherwise provided in this contract, the term "subcontracts" includes purchase orders under this contract.

(d) The term "contract work" means all work to be performed under this contract including any studies covering fundamental, theoretical, or experimental investigations; any extension of the investigative findings and theories of a scientific and technical nature into practical application; any tangible terms, hereinafter referred to as supplies, if called for herein, furnished to the Government; and any reports, data, computations, plans, drawings, and specifications with respect to the foregoing.

### 2. CHANGES

The Contracting Officer may at any time, by a written order, and without notice to the sureties, make changes, within the general scope of this contract, in any one or more of the following: (i) drawings, designs, or specifications, where the supplies to be furnished are to be specially manufactured for the Government in accordance therewith; (ii) method of shipment or packing; and (iii) place of delivery. If any such change causes an increase or decrease in the cost of, or the time required for, performance of this contract, an equitable adjustment shall be made in the contract price or delivery schedule, or both, and the contract shall be modified in writing accordingly. Any claim by the Contractor for adjustment under this clause must be asserted within 60 days from the date of receipt by the Contractor of the notification of change; PROVIDED, however, that the Contracting



Officer, if he decides that the facts justify such action, may receive and act upon any such claim asserted at any time prior to final payment under this contract. Failure to agree to any adjustment shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes." However, nothing in this clause shall excuse the Contractor from proceeding with the contract as changed.

### ~~3. EXTRAS~~

~~Except as otherwise provided in this contract, no payment for extras shall be made unless such extras and the price therefor have been authorized in writing by the Contracting Officer.~~

### 4. VARIATION IN QUANTITY

No variation in the quantity of any item called for by this contract will be accepted unless such variation has been caused by conditions of loading, shipping, or packing, or allowances in manufacturing processes, and then only to the extent, if any, specified elsewhere in this contract.

### 5. INSPECTION

(a) All supplies (which term throughout this clause includes without limitation raw materials, components, intermediate assemblies, and end products) shall be subject to inspection and test by the Government, to the extent practicable at all times and places including the period of manufacture, and in any event prior to final acceptance.

(b) In case any supplies or lots of supplies are defective in material or workmanship or otherwise not in conformity with the requirements of this contract, the Government shall have the right either to reject them (with or without instructions as to their disposition) or to require their correction. Supplies or lots of supplies which have been rejected or required to be corrected shall be removed or corrected in place, as requested by the Contracting Officer, by and at the expense of the Contractor promptly after notice, and shall not again be tendered for acceptance unless the former tender and either the rejection or requirement of correction is disclosed. If the Contractor fails promptly to remove such supplies or lots of supplies, when requested by the Contracting Officer, and to proceed promptly with the replacement or correction thereof, the Government either (i) may by contract or otherwise replace or correct such supplies and charge to the Contractor the cost occasioned the Government thereby, or (ii) may terminate this contract for default as provided in the clause of this contract entitled "Default". Unless the Contractor elects to correct or replace the supplies which the Government has a right to reject and is able to make such correction or replacement within the required delivery schedule, the Contracting Officer may require the delivery of such supplies at a reduction in price.

which is equitable under the circumstances. Failure to agree to such reduction of price shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes".

(c) If any inspection or test is made by the Government on the premises of the Contractor or a subcontractor, the Contractor without additional charge shall provide all reasonable facilities and assistance for the safety and convenience of the Government inspectors in the performance of their duties. If Government inspection or test is made at a point other than the premises of the Contractor or a subcontractor, it shall be at the expense of the Government, PROVIDED, that in case of rejection the Government shall not be liable for any reduction in value of samples used in connection with such inspection or test. All inspections and tests by the Government shall be performed in such a manner as not to unduly delay the work. The Government reserves the right to charge to the Contractor any additional cost of Government inspection and test when supplies are not ready at the time such inspection and test is requested by the Contractor. Final acceptance or rejection of the supplies shall be made as promptly as practicable after delivery, except as otherwise provided in this contract; but failure to inspect and accept or reject supplies shall neither relieve the Contractor from responsibility for such supplies as are not in accordance with the contract requirements nor impose liability on the Government therefor.

(d) The inspection and test by the Government of any supplies or lots thereof does not relieve the Contractor from any responsibility regarding defects or other failures to meet the contract requirements which may be discovered prior to final acceptance. Except as otherwise provided in this contract, final acceptance shall be conclusive except as regards latent defects, fraud, or such gross mistakes as amount to fraud.

(e) The Contractor shall provide and maintain an inspection system acceptable to the Government covering the supplies hereunder. Records of all inspection work by the Contractor shall be kept complete and available to the Government during the performance of this contract and for such longer period as may be specified elsewhere in this contract.

## 6. RESPONSIBILITY FOR SUPPLIES

Except as otherwise provided in this contract, (i) the Contractor shall be responsible for the supplies covered by this contract until they are delivered at the designated delivery point, regardless of the point of inspection; and (ii) the Contractor shall bear all risks as to rejected work after notice of rejection.

## 7. ASSIGNMENT OF CLAIMS

(a) Pursuant to the provisions of the Assignment of Claims Act of 1940 as amended (31 U.S. Code 203, 41 U.S. Code 15), if this

contract provides for payments aggregating \$1,000 or more, claims for moneys due or to become due to the Contractor from the Government under this contract may be assigned to a bank, trust company, or other financing institution, including any Federal lending agency, and may thereafter be further assigned and reassigned to any such institution. Any such assignment or reassignment shall cover all amounts payable under this contract and not already paid, and shall not be made to more than one party, except that any such assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in such financing. Notwithstanding any provision of this contract, payment to an assignee of any moneys due or to become due under this contract shall not, to the extent provided in said Act as amended, be subject to reduction or set-off.

(b) In no event shall copies of this contract or of any plans, specifications, or other similar documents relating to work under this contract, if marked "TOP SECRET," "SECRET," "CONFIDENTIAL," be furnished to any assignee of any claim arising under this contract or to any other person not entitled to receive the same; PROVIDED, that a copy of any part or all of this contract so marked may be furnished, or any information contained therein may be disclosed, to such assignee upon the prior written authorization of the Contracting Officer

(c) The Contractor shall obtain the written authorization of the Contracting Officer prior to the assignment of any rights under this contract.

#### 8. ADDITIONAL BOND SECURITY

If any surety upon any bond furnished in connection with this contract becomes unacceptable to the Government, or if any such surety fails to furnish reports as to his financial condition from time to time as requested by the Government, the Contractor shall promptly furnish such additional security as may be required from time to time to protect the interests of the Government and of persons supplying labor or materials in the prosecution of the work contemplated by this contract.

#### 9. FEDERAL, STATE AND LOCAL TAXES

(a) DEFINITIONS. As used throughout this clause, the following terms shall have the meanings set forth below:

(1) The term "direct tax" means any tax or duty directly applicable to the completed supplies or services (as distinguished from taxes directly applicable to materials and components used in the manufacture or furnishing of the completed supplies or services) covered by this contract or any other tax or duty from which the Contractor or this transaction is exempt. It includes any tax or duty directly

applicable to the importation, production, processing, manufacture, construction, sale, or use of such supplies or services; it also includes any tax levied on, with respect to, or measured by sales, receipts from sales, or use of the supplies or services covered by this contract. The term does not include transportation taxes, unemployment compensation taxes, social security taxes, income taxes, excess profits taxes, capital stock taxes, property taxes, and such other taxes as are not within the definition of the term "direct tax" as set forth above in this paragraph.

(ii) The term "contract date" means the effective date of this contract if it is a negotiated contract or the date set for the opening of bids if it is a contract entered into as a result of formal advertising. For the purpose of any additional procurement of supplies or services called for by any agreement supplemental hereto, the term "contract date" shall refer to the date of such supplemental agreement.

(b) FEDERAL TAXES. Except as may be otherwise provided in this contract, the contract price includes all applicable Federal taxes in effect on the contract date.

(c) STATE OR LOCAL TAXES. Except as may be otherwise provided in this contract, the contract price does not include any State or local direct tax in effect on the contract date.

(d) EVIDENCE OF EXEMPTION: The Government agrees, upon request of the Contractor, unless there exists no legal basis to sustain an exemption, to furnish a Tax Exemption Certificate or other similar evidence of exemption with respect to any direct tax not included in the contract price pursuant to this clause; and the Contractor agrees, in the event of the refusal of the applicable taxing authority to accept such evidence of exemption, (i) promptly to notify the Contracting Officer of such refusal, (ii) to cause the tax in question to be paid in such manner as to preserve all rights to refund thereof, and (iii) if so directed by the Contracting Officer, to take all necessary action, in cooperation with and for the benefit of the Government, to secure a refund of such tax (in which event the Government agrees to reimburse the Contractor for any and all reasonable expenses incurred at its direction).

(e) PRICE ADJUSTMENT. If, after the contract date, (i) the Federal Government or any State or local government either imposes or increases (or removes an exemption with respect to) any direct tax, or any tax directly applicable to the materials or components used in the manufacture or furnishing of the completed supplies or services covered by this contract, or (ii) the Federal Government or any State or local government refuses to accept the evidence of exemption, furnished under paragraph (d) hereof, with respect to any direct

tax excluded from the contract price, or (iii) the Federal Government does not furnish a tax exemption certificate or other similar evidence of exemption with respect to any direct tax excluded from the contract price, and if under either (i), (ii), or (iii) the Contractor is obliged to and does pay or bear the burden of any such tax (and does not secure a refund thereof), the contract price shall be correspondingly increased, and if interest and penalties are incurred by reason of delay in payment of such tax on the instruction of the Contracting Officer, and such interest and penalties are legally imposed, the contract price shall be correspondingly increased. If, after the contract date, the Contractor is relieved in whole or in part from the payment or the burden of any direct tax included in the contract price, or any tax directly applicable to the materials or components used in the manufacture or furnishing of the completed supplies or services covered by this contract, the Contractor agrees promptly to notify the Contracting Officer of such relief, and the contract price shall be correspondingly decreased or the amount of such relief paid over to the Government. Invoices or vouchers covering any increase or decrease in contract price pursuant to the provisions of this paragraph shall state the amount thereof, as a separate added or deducted item, and shall identify the particular tax imposed, increased, eliminated, or decreased.

(f) REFUND OR DRAWBACK. If any tax or duty has been included in the contract price or the price as adjusted under paragraph (e) of this clause, and if the Contractor is entitled to a refund or drawback by reason of the export or re-export of supplies covered by this contract, or of materials or components used in the manufacture or furnishing of the completed supplies or services covered by this contract, the Contractor agrees that he will promptly notify the Contracting Officer thereof and that the amount of any such refund or drawback obtained will be paid over to the Government or credited against amounts due from the Government under this contract; PROVIDED, however, that the Contractor shall not be required to apply for such refund or drawback unless so requested by the Contracting Officer.

#### 10 DISPUTES

Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Contractor. Within thirty (30) days from the date of receipt of such copy, the Contractor may appeal by mailing or otherwise furnishing to the Contracting Officer a written appeal addressed to the Secretary, and the decision of the Secretary or his duly authorized representative for the hearing of such appeals shall, unless determined by a court of competent jurisdiction to have been fraudulent or capricious or arbitrary or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence, be final and conclusive: PROVIDED, That, if no such appeal is taken, the decision of the Contracting Officer shall be final and conclusive. In

FP (Oct. 8, 1956)

Price Rev.

connection with any appeal proceeding under this clause, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

#### 11. BUY AMERICAN ACT

The Contractor agrees that there will be delivered under this contract only such unmanufactured articles, materials and supplies (which term "articles, materials and supplies" is hereinafter referred to in this clause as "supplies") as have been mined or produced in the United States, and only such manufactured supplies as have been manufactured in the United States substantially all from supplies mined, produced or manufactured, as the case may be, in the United States. Pursuant to the Buy American Act (41 U. S. Code 10a-d), the foregoing provision shall not apply (i) with respect to supplies excepted by the Secretary from the application of that Act, (ii) with respect to supplies for use outside the United States, or (iii) with respect to the supplies to be delivered under this contract which are of a class or kind determined by the Secretary or his duly authorized representative not to be mined, produced, or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality, or (iv) with respect to such supplies from which the supplies to be delivered under this contract are manufactured, as are of a class or kind, determined by the Secretary or his duly authorized representative not to be mined, produced, or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality: PROVIDED, That this exception (iv) shall not permit delivery of supplies manufactured outside the United States if such supplies are manufactured in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality.

#### 12. EIGHT-HOUR LAW OF 1912

This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912 as amended (40 U. S. Code 324-326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35-45) is subject to the following provisions and exceptions of said Eight-Hour Law of 1912 as amended, and to all other provisions and exceptions of said Law.

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Contractor or any subcontractor contracting for any part of the said work shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every such laborer and mechanic employed by the Contractor or any subcontractor engaged in the performance of this contract shall be computed on a basic day rate of

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eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed upon the Contractor for each such laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause; and all penalties thus imposed shall be withheld for the use and benefit of the Government.

13. WALSH-HEALEY PUBLIC CONTRACTS ACT

If this contract is for the manufacture or furnishing of materials, supplies, articles or equipment in an amount which exceeds or may exceed \$10,000 and is otherwise subject to the Walsh-Healey Public Contracts Act as amended (41 U. S. Code 35-45), there are hereby incorporated by reference all representations and stipulations required by said Act and regulations issued thereunder by the Secretary of Labor, such representations and stipulations being subject to all applicable rulings and interpretations of the Secretary of Labor which are now or may hereafter be in effect, except that the Contractor shall not be required to include this clause in subcontracts issued hereunder when the inclusion of this clause in a subcontract would jeopardize or conflict with the security considerations established in connection with this contract.

14. NONDISCRIMINATION IN EMPLOYMENT

(a) In connection with the performance of work under this contract, the Contractor agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of the nondiscrimination clause.

(b) The Contractor further agrees to insert the foregoing provision in all subcontracts issued hereunder, except subcontracts for standard commercial supplies or raw materials, and except as insertion of the foregoing provision in a subcontract would jeopardize or conflict with the security considerations established in connection with this contract.

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15. OFFICIALS NOT TO BENEFIT

No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

16. COVENANT AGAINST CONTINGENT FEES

The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the contractor for the purpose of securing business. For breach or violation of this warranty the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

17. AIRCRAFT IN THE OPEN

If this contract is a negotiated fixed-price type of contract for production or modification of aircraft (or missiles having the general characteristics of aircraft) the clause set forth below shall apply:

(a) Subject to the definitions and limitations prescribed in this clause, the Government assumes the risk of damage to or loss or destruction of aircraft (or missiles having the general characteristics of aircraft) in the open; PROVIDED, that such damage, loss, or destruction is caused by any of the following perils;

(i) Fire; lightning, windstorm, cyclone, tornado, hail; explosion; riot, riot attending a strike, civil commotion, vandalism and malicious mischief; sabotage; aircraft or objects falling therefrom, vehicles running on land or tracks, excluding vehicles owned or operated by the Contractor or any agent or employee of the Contractor; smoke; earthquake or volcanic eruption; flood, meaning thereby rising of a body of water; hostile or warlike action, including action in hindering, combating, or defending against an actual, impending or expected attack by any government or sovereign power (de jure or de facto), or by any authority using military, naval, or air forces, or by any agent of any such government, power, authority, or forces; or

(ii) Other peril of a type not listed above, if such other peril is customarily covered by insurance (or by a reserve for self-insurance) in accordance with the normal practice of the Contractor, or a prevailing practice in the industry in which the Contractor is engaged with respect to similar property.



(b) For purposes of this clause:

(i) The term "Aircraft" means aircraft to be furnished to the Government under this contract, including complete aircraft; and aircraft in the course of manufacture or modification, including engines, instruments, subassemblies, parts, and equipment installed therein, or in process of installation, and all uninstalled property withdrawn from stores for installation in aircraft in the open or temporarily removed from such aircraft, provided such uninstalled property is in the open.

(ii) The term "in the open" means located wholly outside of buildings or roofed structures.

(c) The Government's obligation under this clause shall extend only to aircraft in the open under conditions approved by the Contracting Officer, and shall not extend to the following:

(i) loss, destruction, or damage resulting from failure of the Contractor, due to willful misconduct or lack of good faith of any of the Contractor's managerial personnel, to maintain and administer a program for the maintenance, repair, protection, and preservation of aircraft in the open, in accordance with sound industrial practice. The term "Contractor's managerial personnel" means the Contractor's directors, officers, and any of its managers, superintendents, or other equivalent representatives who have supervision or direction of all or substantially all of the Contractor's business, or all or substantially all of the Contractor's operation at any one plant or separate location at which this contract is performed, or a separate and complete major industrial operation in connection with the performance of this contract;

(ii) loss, destruction or damage to aircraft in the possession or control of any subcontractor, except to the extent that the subcontract, with the approval of the Contracting Officer and consistent with this clause, may otherwise provide.

(d) The Contractor warrants that the contract price does not and will not include any charge or reserve for insurance (including self-insurance funds or reserves) covering damage to or loss or destruction of aircraft in the open caused by any of the perils set forth in paragraph (a) hereof.

(e) In the event of damage to or loss or destruction of aircraft in the open, the Contractor shall take all reasonable steps to protect such aircraft from further damage, separate damaged and undamaged aircraft, put all aircraft in the best possible order, and furnish to the Contracting Officer a statement of:

- (i) the lost, destroyed, or damaged aircraft;
- (ii) the time and origin of the loss, destruction, or damage;
- (iii) all known interests in commingled property of which

aircraft in the open are a part;

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~~(iv) the insurance, if any, covering any part of the interest in such commingled property.~~

The Contractor shall be reimbursed for expenditures made by it in performing its obligations under this paragraph, to the extent approved by the Contracting Officer and this contract shall be modified in writing accordingly.

(f) If prior to acceptance by and delivery to the Government any aircraft in the open is lost, destroyed, or damaged due to any of the perils set forth in paragraph (a) hereof, the Government may, unless otherwise provided in this contract, elect to require that such aircraft be replaced by the Contractor or restored by the Contractor to the condition in which it was immediately prior to such damage. If the Government requires the aircraft to be replaced or restored, an equitable adjustment shall be made in the amount due under this contract and in the time required for its performance, and this contract shall be modified in writing accordingly. Alternatively, the Government may elect to terminate this contract as to any such lost, destroyed, or damaged aircraft, and in that event the rights of the parties shall be as provided in the clause entitled Termination for Convenience of the Government.

(g) In the event the Contractor is at any time reimbursed or compensated by any third person for any damage to or loss or destruction of any aircraft in the open caused by any peril set forth in paragraph (a) hereof for which the Contractor has been compensated by the Government, it shall equitably reimburse the Government. The Contractor shall do nothing to prejudice the Government's rights to recover against third parties for any such loss, destruction or damage and, upon the request of the Contracting Officer, shall at the Government's expense, furnish to the Government all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment or subrogation in favor of the Government) in obtaining recovery.

(h) Any loss or destruction of, or damage to, property furnished by the Government will be governed by the clause of this contract entitled "Government-Furnished Property," to the extent that such clause is, by its terms, applicable.

(i) Any loss, or destruction of, or damage to, aircraft occurring in connection with operations of said aircraft will be governed by the clause of this contract entitled "Flight Risk," to the extent that such clause is, by its terms, applicable.

#### 18. MILITARY SECURITY REQUIREMENTS

(a) The provisions of this clause shall apply to the extent that this contract involves access to security information classified "Confidential" including "Confidential - Modified Handling Authorized" or higher.

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(b) The Government shall notify the Contractor of the security classification of this contract and the elements thereof, and of any subsequent revisions in such security classification, by the use of a Security Requirements Check List (DD Form 254 and 254-I).

(c) To the extent the Government has indicated as of the date of this contract, or thereafter indicates, security classification under this contract as provided in paragraph (b) above, the Contractor shall safeguard all classified elements of this contract and shall provide and maintain a system of security controls within its own organization in accordance with the requirements of:

(i) the Security Agreement (DD Form 441), including the Department of Defense Industrial Security Manual for Safeguarding Classified Information as in effect on date of this contract, and any modification to the Security Agreement for the purpose of adapting the Manual to the Contractor's business; and

(ii) any amendments to said Manual made after the date of this contract, notice of which has been furnished to the Contractor by the Security Office of the Military Department having security cognizance over the facility.

(d) Representatives of the Military Department having security cognizance over the facility and representatives of the contracting Military Department shall have the right to inspect at reasonable intervals the procedures, methods, and facilities utilized by the Contractor in complying with the security requirements under this contract. Should the Government, through its authorized representative, determine that the Contractor has not complied with such requirements, the Government shall inform the Contractor in writing of the proper actions to be taken in order to effect compliance with such requirements.

(e) If, subsequent to the date of this contract, the security classifications or requirements under this contract are changed by the Government as provided in this clause and the security costs under this contract are thereby increased or decreased, the contract price shall be subject to an equitable adjustment by reason of such increased or decreased costs. Any equitable adjustment shall be accomplished in the same manner as if such changes were directed under the "Changes" clause in this contract.

(f) The Contractor agrees to insert, in all subcontracts hereunder which involve access to classified security information, provisions which shall conform substantially to the language of this clause, including this paragraph (f) but excluding the last sentence of paragraph (e) of this clause.

(g) The Contractor also agrees that it shall determine that any subcontractor proposed by it for the furnishing of supplies and services which will involve access to classified information in the Contractor's custody has been granted an appropriate facility security

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clearance, which is still in effect, prior to being accorded access to such classified security information.

#### 19. UTILIZATION OF SMALL BUSINESS CONCERNS

(a) It is the policy of the Government as declared by the Congress to bring about the greatest utilization of small business concerns which is consistent with efficient production.

(b) The Contractor agrees to accomplish the maximum amount of subcontracting to small business concerns that the Contractor finds to be consistent with the efficient performance of this contract.

#### 20. EXAMINATION OF RECORDS

The following clause will be applicable in all negotiated fixed-price supply contracts and purchase orders in excess of \$1,000.

##### EXAMINATION OF RECORDS

(a) The Contractor agrees that the Contracting Officer or any of his duly authorized representatives shall, until the expiration of three years after final payment under this contract, have access to and the right to examine any directly pertinent books, documents, papers and records of the Contractor involving transactions related to this contract.

(b) The Contractor further agrees to include in all his subcontracts hereunder a provision to the effect that the subcontractor agrees that the Contracting Officer or any of his duly authorized representatives shall, until the expiration of three years after final payment under the subcontract, have access to and the right to examine any directly pertinent books, documents, papers, and records of such subcontractor involving transactions related to the subcontract. The term "subcontract" as used in this clause excludes (i) purchase orders not exceeding \$1,000 and (ii.) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

#### 21. GRATUITIES

(a) The Government may, by written notice to the Contractor, terminate the right of the Contractor to proceed under this contract if it is found, after notice and hearing, by the Secretary or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Contractor, or any agent or representative of the Contractor, to any officer or employee of the Government with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performance of such contract; PROVIDED, That the existence of the facts upon which the Secretary or his duly authorized representative

makes such findings shall be in issue and may be reviewed in any competent court.

(b) In the event this contract is terminated as provided in paragraph (a) hereof, the Government shall be entitled (i) to pursue the same remedies against the Contractor as it could pursue in the event of a breach of the contract by the Contractor, and (ii) as a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount (as determined by the Secretary or his duly authorized representative) which shall be not less than three nor more than ten times the costs incurred by the Contractor in providing any such gratuities to any such officer or employee.

(c) The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

## 22. CONVICT LABOR

In connection with the performance of work under this contract, the Contractor agrees not to employ any person undergoing sentence of imprisonment at hard labor.

## 23. NOTICE AND ASSISTANCE REGARDING PATENT INFRINGEMENT

The provisions of this clause shall be applicable only if the amount of this contract is in excess of \$5,000.

(a) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent infringement based on the performance of this contract of which the Contractor has knowledge.

(b) In the event of litigation against the Government on account of any claim of patent infringement arising out of the performance of this contract or out of the use of any supplies furnished or work or services performed hereunder, the Contractor shall furnish to the Government, upon request, all evidence and information in possession of the Contractor pertaining to such litigation. Such evidence and information shall be furnished at the expense of the Government except in those cases in which the Contractor has agreed to indemnify the Government against the claim being asserted.

## 24. REPORTING OF ROYALTIES

The provisions of this clause shall be applicable only if the amount of the contract is in excess of \$10,000.

(a) The Contractor shall report in writing (in quadruplicate) to the Contracting Officer as soon as practicable after execution of this contract whether or not any royalties in excess of \$250 have been paid

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or are to be paid by the Contractor directly to any person or firm in connection with the performance of this contract. If royalties in excess of \$250 have been paid or are to be paid to any person or firm, the report shall include the following items of information with respect to such royalties (including the initial \$250):

- (1) The name and address of each licensor to whom royalties in excess of \$250 have been paid or are to be paid,
- (2) The patent numbers, patent application serial numbers (with filing dates), or other identification of the basis for such royalties,
- (3) The manner of computing the royalties consisting of (i) a brief identification of each royalty-bearing unit or process, (ii) the total amount of royalties, and (iii) the percentage rate or dollars and cents amount of royalties on each such unit or process; PROVIDED that if the royalties cannot be computed in terms of units or dollars and cents value, then other data showing the manner in which the Contractor computes the royalties.

(b) In lieu of furnishing a report under paragraph (a), the Contractor may furnish a single, consolidated report for each accounting period of the Contractor during which the Contractor has contracts with the Government, provided the Contractor has requested and obtained the prior written approval of the Contracting Officer. Such consolidated report shall be furnished, when the furnishing thereof has been approved, in the number of copies as approved, as soon as practicable after the close of the accounting period covered by the report. Such consolidated report shall be made in accordance with Contractor's established accounting practice, and shall include, for the accounting period, the total amount of royalties accruing to each licensor at a rate in excess of \$1,000 per annum on the Contractor's over-all business, together with (i) the name and address of each such licensor, (ii) the patent numbers, patent application serial numbers (with filing dates), or other identification of the basis for such royalties, (iii) a brief description of the subject matter of the license under which royalties are charged, (iv) the percentage rate or unit amount, or if the royalties do not accrue by rate or unit amount, such other data showing the manner by which the royalties accrue to licensor, and (v) an estimate or approximation (without detailed accounting) of the portion of such royalties that may be attributable to Government contracts. The Contractor shall, if requested by the Government, furnish at Government expense a more detailed allocation of such royalty payments attributable to Government contracts.

(c) In the event that the Contractor requests written approval to furnish consolidated reports under paragraph (b) above, the Contracting Officer shall promptly consider the request and furnish to the Contractor a letter stating whether or not the request is approved and, notwithstanding any such approval, the Contracting Officer shall have the right to question any such subsequently furnished report as to accuracy or completeness of data and to ask for additional information. The Contractor shall furnish a copy of such letter of approval to the Contracting Officer administering this contract.

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(d) After payment of eighty percent (80%) of the amount of this contract, as from time to time amended, further payment shall be withheld until a reserve of either (i) ten percent (10%) of such amount or (ii) \$5,000, which ever is less, shall have been set aside, such reserve or the balance thereof to be retained until the Contractor shall have furnished to the Contracting Officer the report called for by paragraph (a) hereof or the copy of the letter approving the Contractor's request to furnish the report under paragraph (b); PROVIDED that no amount shall continue to be withheld from payment for the causes specified in this paragraph (d) if the Contracting Officer shall find that the Contractor has not been furnished a letter as required by paragraph (c) within a reasonable time after making written request to submit a single, consolidated report under the provisions of paragraph (b) of this clause; and PROVIDED FURTHER that the Contracting Officer may, in his discretion, order payment to be withheld in the amount and manner above provided if the report called for by paragraph (a) is unsatisfactory or (b) is ~~disclosed~~ has not been received, or if received, is found to be unsatisfactory. No amount shall be withheld under this paragraph when the minimum amount specified by this paragraph is being withheld under other provisions of this contract. The withholding of any amount or subsequent payment thereof to the Contractor shall not be construed as a waiver of any right accruing to the Government under this contract.

## 25. FILING OF PATENT APPLICATIONS

(a) Before filing or causing to be filed a patent application disclosing any subject matter of this contract, which subject matter is classified "Secret" or higher, the Contractor shall, citing the thirty (30) day provision below, transmit the proposed application to the Contracting Officer for determination whether, for reasons of national security, such application should be placed under an order of secrecy or sealed in accordance with the provisions of 35 U. S. Code 181-188 or the issuance of a patent should be otherwise delayed under pertinent statutes or regulations; and the Contractor shall observe any instructions of the Contracting Officer with respect to the manner of delivery of the patent application to the U. S. Patent Office for filing, but the Contractor shall not be denied the right to file such patent application. If the Contracting Officer shall not have given any such instructions within thirty (30) days from the date of mailing or other transmittal of the proposed application, the Contractor may file the application.

(b) The Contractor shall furnish to the Contracting Officer, at the time of or prior to the time when the Contractor files or causes to be filed a patent application disclosing any subject matter of this contract, which subject matter is classified "Confidential," a copy of such application for determination whether, for reasons of national security, such application should be placed under an order of secrecy or the issuance of a patent should be otherwise delayed under pertinent statutes or regulations.

(c) In filing any patent application coming within the scope of this clause, the Contractor shall observe all applicable security regulations covering the transmission of classified subject matter

## 26. AUTHORIZATION AND CONSENT

The following clause shall be applicable in all contracts for supplies (including construction work), except purchase orders of \$5,000 or less:

The Government hereby gives its authorization and consent (without prejudice to its rights of indemnification, if such rights are provided for in this contract) for all use and manufacture, in the performance of this contract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract), of any patented invention (i) embodied in the structure or composition of any article the delivery of which is accepted by the Government under this contract, or (ii) utilized in the machinery, tools, or methods the use of which necessarily results from compliance by the Contractor or the using subcontractor with (a) specifications or written provisions now or hereafter forming a part of this contract, or (b) specific written instructions given by the Contracting Officer directing the manner of performance. The Contractor's entire liability to the Government for patent infringement shall be determined solely by the provisions of the indemnity clause, if any, included in the contract and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.

## 27. PATENT RIGHTS

(a) As used in this clause, the following terms shall have the meanings set forth below:

(i) The term "Subject Invention" means any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice either (A) in the performance of the experimental, developmental, or research work called for or required under this contract, or (B) in the performance of any experimental, developmental, or research work relating to the subject matter of this contract which was done upon an understanding in writing that a contract would be awarded; PROVIDED that the term "Subject Invention" shall not include any invention which is specifically identified and listed in the Schedule for the purpose of excluding it from the license granted by this clause.

(ii) The term "Technical Personnel" means any person employed by or working under contract with the Contractor (other than a subcontractor whose responsibilities with respect to rights accruing to the Government in inventions arising under subcontracts are set forth in paragraphs (g), (h), and (i) of this clause) who, by reason of the nature of his duties in connection with the performance of this contract, would reasonably be expected to make inventions.

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(iii) The terms "subcontract" and "subcontractor" mean any subcontract or subcontractor of the Contractor, and any lower-tier subcontract or subcontractor under this contract.

(b) (1) The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, nontransferable, and royalty-free license to practice, and cause to be practiced by or for the United States Government throughout the world, each Subject Invention in the manufacture, use and disposition according to law, of any article or material, and in the use of any method. No license granted herein shall convey any right to the Government to manufacture, have manufactured, or use any Subject Invention for the purpose of providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensees in the licensed fields.

(2) With respect to:

(i) any Subject Invention made by other than Technical Personnel;

(ii) any Subject Invention conceived prior to, but first actually reduced to practice in the course of, any of the experimental, developmental, or research work specified in (a)(i) above: and

(iii) the practice of any Subject Invention in foreign countries; the obligation of the Contractor to grant a license as provided in (b)(1) above, to convey title as provided in (d)(ii)(B) or (d)(iv) below, and to convey foreign rights as provided in (e) below, shall be limited to the extent of the Contractor's right to grant the same without incurring any obligation to pay royalties or other compensation to others solely on account of said grant. Nothing contained in this Patent Rights clause shall be deemed to grant any license under any invention other than a Subject Invention.

(c) The Contractor shall furnish to the Contracting Officer the following information and reports concerning Subject Inventions which reasonably appear to be patentable:

(i) a written disclosure promptly after conception or first actual reduction to practice of each such Invention together with a written statement specifying whether or not a United States patent application claiming the Invention has been or will be filed by or on behalf of the Contractor;

(ii) interim reports, at least every twelve months, commencing with the date of this contract, each listing all such Inventions conceived or first actually reduced to practice more than three months prior to the date of the report, and not listed on a prior interim report, or certifying that there are no such unreported Inventions; and

(iii) prior to final settlement of this contract, a final report listing all such Inventions including all those previously listed in interim reports.

(d) In connection with each Subject Invention referred to in (c)(i) above, the Contractor shall do the following:

(i) if the Contractor specifies that a United States patent application claiming such Invention will be filed, the Contractor shall file or cause to be filed such application in due form and time; however, if the Contractor, after having specified that such an application would be filed, decides not to file or cause to be filed said application, the Contractor shall so notify the Contracting Officer at the earliest practicable date and in any event not later than eight months after first publication, public use or sale.

(ii) if the Contractor specifies that a United States patent application claiming such Invention has not been filed and will not be filed (or having specified that such an application will be filed thereafter notifies the Contracting Officer to the contrary), the Contractor shall:

(A) inform the Contracting Officer in writing at the earliest practicable date of any publication of such Invention made by or known to the Contractor or, where applicable, of any contemplated publication by the Contractor, stating the date and identify of such publication or contemplated publication; and

(B) convey to the Government the Contractor's entire right, title, and interest in such Invention by delivering to the Contracting Officer upon written request such duly executed instruments (prepared by the Government) of assignment and application, and such other papers as are deemed necessary to vest in the Government the Contractor's right, title, and interest aforesaid, and the right to apply for and prosecute patent applications covering such Invention throughout the world, subject, however, to the right of the Contractor specified in (e) below to file foreign applications, and subject further to the reservation of a non-exclusive and royalty-free license to the Contractor (and to its existing and future associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part) which license shall be assignable to the successor of that part of the Contractor's business to which such Invention pertains:

(iii) the Contractor shall furnish promptly to the Contracting Officer on request an irrevocable power of attorney to inspect and make copies of each United States patent application filed by or on behalf of the Contractor covering any such Invention;

(iv) In the event the Contractor, or those other than the Government deriving rights from the Contractor, elects not to continue prosecution of any such United States patent application filed by or on behalf of the Contractor, the Contractor shall so notify the Contracting Officer not less than sixty days before the expiration of the response period and, upon written request, deliver to the Contracting Officer such duly executed instruments (prepared by the Government) as are deemed necessary to vest in the Government the Contractor's entire right, title, and interest in such Invention and the application, subject to the reservation as specified in (d)(ii) above; and

(v) the Contractor shall deliver to the Contracting Officer duly executed instruments fully confirmatory of any license rights herein agreed to be granted to the Government.

(e) The Contractor, or those other than the Government deriving rights from the Contractor, shall have the exclusive rights to file applications on Subject Inventions in each foreign country within:

(i) nine months from the date a corresponding United States application is filed;

(ii) six months from the date permission is granted to file foreign applications where such filing had been prohibited for security reasons; or

(iii) such longer period as may be approved by the Contracting Officer. The Contractor shall, upon written request of the Contracting Officer, convey to the Government the Contractor's entire right, title, and interest in each Subject Invention in each foreign country in which an application has not been filed within the time above specified, subject to the reservation of a non-exclusive and royalty-free license to the Contractor together with the right of the Contractor to grant sublicenses, which license and right shall be assignable to the successor of that part of the Contractor's business to which the Subject Invention pertains.

(f) If the Contractor fails to deliver to the Contracting Officer the interim reports required by (c)(ii) above, or fails to furnish the written disclosures for all Subject Inventions required by (c)(i) above shown to be due in accordance with any interim report delivered under (c)(ii) or otherwise known to be unreported, there shall be withheld from payment until the Contractor shall have corrected such failures either ten percent (10%) of the amount of this contract, as from time to time amended, or five thousand dollars (\$5,000), whichever is less. After payment of eighty percent (80%) of the amount of this contract, as from time to time amended, payment shall be withheld until a reserve of either ten percent (10%) of such amount, or five thousand dollars (\$5,000), whichever is less, shall have been set aside, such reserve or balance thereof to be retained until the Contractor shall have furnished to the Contracting Officer:

(i) the final report required by (c)(iii) above;

(ii) written disclosures for all Subject Inventions required by (c)(i) above which are shown to be due in accordance with interim reports delivered under (c)(ii) above or in accordance with such final reports or are otherwise known to be unreported; and

(iii) the information as to any subcontractor required by (h) below. The maximum amount which may be withheld under this paragraph (f) shall not exceed ten percent (10%) of the amount of this contract or five thousand dollars (\$5,000), whichever is less, and no amount shall be withheld under this paragraph (f) when the amount specified by this paragraph (f) is being withheld under other provisions of this contract. The withholding of any amount or subsequent payment thereof to the Contractor shall not be construed as a waiver of any rights accruing to the Government under this contract. This paragraph (f) shall not be construed as requiring the Contractor to withhold any amounts from a subcontractor to enforce compliance with the patent provisions of a subcontract.

(g) The Contractor shall exert all reasonable effort in negotiating for the inclusion of this Patent Rights clause in any subcontract hereunder of three thousand dollars (\$3,000) or more having experimental, developmental, or research work as one of its purposes. In the event of refusal by a subcontractor to accept the Patent Rights clause, the Contractor shall not proceed with the subcontract without written authorization of the Contracting Officer, and upon obtaining such authorization, shall cooperate with the Government in the negotiation with such subcontractor of an acceptable patent rights clause; PROVIDED, however, that the Contractor shall in any event require the subcontractor to grant to the Government patent rights under Subject Inventions of no less scope and on no less favorable terms than those which the Contractor has under such subcontracts, except that in no event shall the subcontractor be required to grant to the Government patent rights in excess of those herein agreed to be granted to the Government by the Contractor.

(h) The Contractor shall, at the earliest practicable date, notify the Contracting Officer in writing of any subcontract containing a patent rights clause, furnish the Contracting Officer a copy of such clause, and notify the Contracting Officer when such subcontract is completed. It is understood that with respect to such subcontract clause, the Government is a third party beneficiary, and the Contractor hereby assigns to the Government all the rights that the Contractor would have to enforce the subcontractor's obligations for the benefit of the Government with respect to Subject Inventions. The Contractor shall not be obligated to enforce the agreements of any subcontractor hereunder relating to Subject Inventions.

(i) When the Contractor shows that it has been delayed in the performance of this contract by reason of its inability to obtain in accordance with (g) above a suitable patent rights clause from a qualified subcontractor for any item or service required under this contract for which the Contractor itself does not have available facilities or qualified personnel, the Contractor's delivery dates shall be extended for a period of time equal to the duration of such delay; and, upon request of the Contractor, the Contracting Officer shall determine to what extent, if any, an additional extension of the delivery dates and an increase in contract prices based upon additional costs incurred by such delay are proper under the circumstances; and the contract shall be modified accordingly. If the Contractor, after exerting all reasonable effort, is unable to obtain a qualified subcontractor as set forth above, the Contractor may submit to the Contracting Officer a written request for waiver or modification of the requirement that a suitable patent rights clause be included in the subcontract.

Such request shall specifically state that the Contractor has used all reasonable effort to obtain such qualified subcontractor, and shall cite the waiver or termination provision hereinafter set forth. If, within thirty-five (35) days after the date of receipt of such request

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for a waiver or modification of said requirement, the Contracting Officer shall fail to deny in writing such request, the requirement shall be deemed to have been waived by the Government. If within such period the Contractor shall receive a written denial of such request by the Contracting Officer, this contract shall thereupon automatically terminate and the rights and obligations of the parties shall be governed by the provisions of the clause of this contract providing for termination for the convenience of the Government.

28. COPYRIGHT

(a) The Contractor agrees to and does hereby grant to the Government, and to its officers, agents and employees acting within the scope of their official duties, (i) a royalty-free, nonexclusive and irrevocable license to reproduce, translate, publish, use, and dispose of, and to authorize others so to do, all copyrightable material first produced or composed and delivered to the Government under this contract by the Contractor, its employees or any individual or concern specifically employed or assigned to originate and prepare such material; and (ii) a license as aforesaid under any and all copyrighted or copyrightable work not first produced or composed by the Contractor in the performance of this contract but which is incorporated in the material furnished under the contract, provided that such license shall be only to the extent the Contractor now has, or prior to completion or final settlement of the contract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

(b) The Contractor agrees that it will exert all reasonable effort to advise the Contracting Officer, at the time of delivering any copyrightable or copyrighted work furnished under this contract, of any adversely held copyrighted or copyrightable material incorporated in any such work and of any invasion of the right of privacy therein contained.

(c) The Contractor agrees to report to the Contracting Officer, promptly and in reasonable written detail, any notice or claim of copyright infringement received by the Contractor with respect to any material delivered under this contract.

~~29. REPRODUCTION AND USE OF TECHNICAL DATA~~

~~The Contractor agrees to and does hereby grant to the Government, to the full extent of the Contractor's right to do so without payment of compensation to others, the right to reproduce, use, and disclose for governmental purposes (including the right to give to foreign governments for their use as the national interest of the United States may demand) all or any part of the reports, drawings, blueprints, data, and technical information specified to be delivered by the Contractor to the Government under this contract; PROVIDED, however, that nothing~~

~~contained in this paragraph shall be deemed, directly or by implication,  
to grant any license under any patent now or hereafter issued or to  
grant any right to reproduce anything else called for by this contract.~~

### 30. GOVERNMENT-FURNISHED PROPERTY

(a) The Government shall deliver to the Contractor, for use in connection with and under the terms of this contract, the property described in the Schedule or specifications, together with such related data and information as the Contractor may request and as may reasonably be required for the intended use of such property (hereinafter referred to as "Government-furnished Property"). The delivery or performance dates for the supplies or services to be furnished by the Contractor under this contract are based upon the expectation that Government-furnished Property suitable for use will be delivered to the Contractor at the times stated in the Schedule or, if not so stated, in sufficient time to enable the Contractor to meet such delivery or performance dates. In the event that Government-furnished Property is not delivered to the Contractor by such time or times, the Contracting Officer shall, upon timely written request made by the Contractor, make a determination of the delay occasioned the Contractor thereby, and shall equitably adjust the delivery or performance dates or the contract price, or both, and any other contractual provision affected by such delay, in accordance with the procedures provided for in the clause of this contract entitled "Changes." In the event the Government-furnished Property is received by the Contractor in a condition not suitable for the intended use the Contractor shall, upon receipt thereof, notify the Contracting Officer of such fact and, as directed by the Contracting Officer, either (i) return such property at the Government's expense or otherwise dispose of the property, or (ii) effect repairs or modifications. Upon the completion of (i) or (ii) above, the Contracting Officer upon written request of the Contractor shall equitably adjust the delivery or performance dates or the contract price, or both, and any other contractual provision affected by the rejection or disposition, or the repair or modification, in accordance with the procedures provided for in the clause of this contract entitled "Changes." The foregoing provisions for adjustment are exclusive and the Government shall not be liable to suit for breach of contract by reason of any delay in delivery of Government-furnished Property or delivery of such property in a condition not suitable for its intended use.

(b) By notice in writing the Contracting Officer may decrease the property furnished or to be furnished by the Government under this contract. In any such case, the Contracting Officer upon the written request of the Contractor shall equitably adjust the delivery or performance dates or the contract price, or both, and any other contractual provisions affected by the decrease, in accordance with the procedures provided for in the clause of this contract entitled "Changes."

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(c) Title to the Government-furnished property shall remain in the Government. Title to Government-furnished property shall not be affected by the incorporation or attachment thereof to any property not owned by the Government, nor shall such Government-furnished property, or any part thereof, be or become a fixture or lose its identity as personalty by reason of affixation to any realty. The Contractor shall maintain adequate property control records of Government-furnished property in accordance with the provisions of the "Manual for the Control of Government Property in the Possession of Contractors" (Appendix B, Armed Services Procurement Regulation) as in effect on the date of the contract, which Manual is hereby incorporated by reference and made a part of this contract.

(d) The Government-furnished property shall, unless otherwise provided herein, be used only for the performance of this contract.

(e) The Contractor shall maintain and administer, in accordance with sound industrial practice, a program for the maintenance, repair, protection and preservation of Government-furnished property, until disposed of by the Contractor in accordance with this clause. In the event that any damage occurs to Government-furnished Property the risk of which has been assumed by the Government under this contract, the Government shall replace such items or the Contractor shall make such repair of the property as the Government directs; provided, however, that if the Contractor cannot effect such repair within the time required, the Contractor shall dispose of such property in the manner directed by the Contracting Officer. The contract price includes no compensation to the Contractor for the performance of any repair or replacement for which the Government is responsible, and an equitable adjustment will be made in the contract price for any such repair or replacement of Government-furnished property made at the direction of the Government. Any repair or replacement for which the Contractor is responsible under the provisions of this contract shall be accomplished by the Contractor at its own expense.

(f) (i) Except for loss, destruction or damage resulting from a failure of the Contractor, due to willful misconduct or lack of good faith of any of the Contractor's managerial personnel as defined herein, to maintain and administer the program for the maintenance, repair, protection and preservation of the Government-furnished property as required by paragraph (e) hereof, and except as specifically provided in clause (s).....of this contract or in the clause or clauses of this contract designated in the Schedule, the Contractor shall not be liable for loss or destruction of or damage to the Government-furnished property (A) caused by any peril while the property is in transit off the Contractor's premises, or (B) caused by any of the following perils while the property is on the Contractor's or subcontractor's premises, or on any other premises where such property may properly be located, or by removal therefrom because of any of the following perils:



(I) Fire; lightning; windstorm, cyclone, tornado, hail; explosion; riot, riot attending a strike, civil commotion; vandalism and malicious mischief; sabotage; aircraft or objects falling therefrom; vehicles running on land or tracks, excluding vehicles owned or operated by the Contractor or any agent or employee of the Contractor; smoke, sprinkler leakage; earthquake or volcanic eruption; flood, meaning thereby rising of a body of water; hostile or warlike action, including action in hindering, combating, or defending against an actual, impending or expected attack by any government or sovereign power (de jure or de facto), or by any authority using military, naval, or air forces, or by an agent of any such government, power, authority, or forces; or

(II) Other peril, of a type not listed above, if such other peril is customarily covered by insurance (or by a reserve for self-insurance) in accordance with the normal practice of the Contractor, or the prevailing practice in the industry in which the Contractor is engaged with respect to similar property in the same general locale.

The perils as set forth in (A) and (B) above are hereinafter called "excepted perils."

This clause shall not be construed as relieving a subcontractor from liability for loss or destruction of or damage to the Government-Furnished property while in its possession or control, except to the extent that the subcontract, with the prior approval of the Contracting Officer, may provide for the relief of the subcontractor from such liability. In the absence of such approval, the subcontract shall contain appropriate provisions requiring the return of all Government-Furnished property in as good condition as when received, except for reasonable wear and tear or for the utilization of the property in accordance with the provisions of the prime contract.

The term "Contractor's managerial personnel" as used herein means the Contractor's directors, officers and any of its managers, superintendents, or other equivalent representatives who have supervision or direction of (I) all or substantially all of the Contractor's business; (II) all or substantially all of the Contractor's operation at any one plant or separate location at which the contract is being performed; (III) a separate and complete major industrial operation in connection with the performance of this contract.

(ii) The Contractor represents that it is not including in the price hereunder, and agrees that it will not hereafter include in any price to the Government, any charge or reserve for insurance (including self-insurance funds or reserves) covering loss or destruction of or damage to the Government-furnished property caused by any excepted peril.

(iii) Upon the happening of loss or destruction of or damage to any Government-furnished property caused by an excepted peril, the Contractor shall notify the Contracting Officer thereof, and shall

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communicate with the Loss and Salvage Organization, if any, now or hereafter designated by the Contracting Officer, and with the assistance of the Loss and Salvage Organization so designated (unless the Contracting Officer has directed that no such organization be employed), shall take all reasonable steps to protect the Government-furnished property from further damage, separate the damaged and undamaged Government-furnished property, put all the Government-furnished property in the best possible order, and furnish to the Contracting Officer a statement of: (A) the lost, destroyed and damaged Government-furnished property (B) the time and origin of the loss, destruction or damage, (C) all known interests in commingled property of which the Government-furnished property is a part, and (D) the insurance, if any, covering any part of or interest in such commingled property. The Contractor shall be reimbursed for the expenditures made by it in performing its obligations under this subparagraph (iii) (including charges made to the Contractor by the Loss and Salvage Organization, except any of such charges the payment of which the Government has, at its option, assumed directly), to the extent approved by the Contracting Officer and set forth in a Supplemental Agreement.

(iv) With the approval of the Contracting Officer after loss or destruction of or damage to Government-furnished property, and subject to such conditions and limitations as may be imposed by the Contracting Officer, the Contractor may, in order to minimize the loss to the Government or in order to permit resumption of business or the like, sell for the account of the Government any item of Government-furnished property which has been damaged beyond practicable repair, or which is so commingled or combined with property of others, including the Contractor, that separation is impracticable.

(v) Except to the extent of any loss or destruction of or damage to Government-furnished property for which the Contractor is relieved of liability under the foregoing provisions of this clause, and except for reasonable wear and tear or depreciation, or the utilization of the Government-furnished property in accordance with the provisions of this contract, the Government-furnished property (other than property permitted to be sold) shall be returned to the Government in as good condition as when received by the Contractor in connection with this contract, or as repaired under paragraph (e) above.

(vi) In the event the Contractor is reimbursed or compensated for any loss or destruction of or damage to the Government-furnished property, caused by an excepted peril, it shall equitably reimburse the Government. The Contractor shall do nothing to prejudice the Government's rights to recover against third parties for any such loss, destruction or damage and, upon the request of the Contracting Officer, shall at the Government's expense, furnish to the Government all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery. In addition, where a subcontractor has not been relieved from liability for any loss or destruction of or damage to the Government-

Furnished property, the Contractor shall enforce the liability of the subcontractor for such loss or destruction of or damage to the Government-Furnished property for the benefit of the Government.

(vii)(Where applicable). In the event any aircraft are to be furnished under this contract, any loss or destruction of, or damage to, such aircraft or other Government-furnished property occurring in connection with operations of said aircraft will be governed by the clause of this contract captioned "Flight Risks", to the extent such clause is, by its terms, applicable.

(g) The Government shall at all reasonable times have access to the premises wherein any Government-furnished property is located.

(h) Upon the completion of this contract, or at such earlier date as may be fixed by the Contracting Officer, the Contractor shall submit, in a form acceptable to the Contracting Officer, inventory schedules covering all items of Government-furnished property not consumed in the performance of this contract (including any resulting scrap), or not theretofore delivered to the Government, and shall deliver or make such other disposal of such Government-furnished property, as may be directed or authorized by the Contracting Officer. Recoverable scrap from Government-furnished property shall be reported in accordance with a procedure and in such form as the Contracting Officer may direct. The net proceeds of any such disposal shall be credited to the contract price or shall be paid in such other manner as the Contracting Officer may direct.

(i) Directions of the Contracting Officer and communications of the Contractor shall be in writing.

### 31. TERMINATION FOR CONVENIENCE OF THE GOVERNMENT

(a) The performance of work under this contract may be terminated by the Government in accordance with this clause in whole, or from time to time in part, whenever the Contracting Officer shall determine that such termination is in the best interest of the Government. Any such termination shall be effected by delivery to the Contractor of a Notice of Termination specifying the extent to which performance of work under the contract is terminated, and the date upon which such termination becomes effective.

(b) After receipt of a Notice of Termination, and except as otherwise directed by the Contracting Officer, the Contractor shall (1) stop work under the contract on the date and to the extent specified in the Notice of Termination; (2) place no further orders or subcontracts for materials, services, or facilities except as may be necessary for completion of such portion of the work under the contract as is not terminated; (3) terminate all orders and subcontracts to the extent that they relate to the performance of work terminated by the Notice of Termination; (4) assign to the Government, in the manner, at the times, and to the extent directed by the Contracting Officer, all of the right,

title, and interest of the Contractor under the orders and subcontracts so terminated, in which case the Government shall have the right, in its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts; (5) settle all outstanding liabilities and all claims arising out of such termination of orders and subcontracts, with the approval or ratification of the Contracting Officer, to the extent he may require, which approval or ratification shall be final for all the purposes of this clause; (6) transfer title and deliver to the Government, in the manner, at the times, and to the extent, if any, directed by the Contracting Officer, (i) the fabricated or unfabricated parts, work in process, completed work, supplies, and other material produced as a part of, or acquired in connection with the performance of, the work terminated by the Notice of Termination, and (ii) the completed or partially completed plans, drawings, information, and other property which, if the contract had been completed, would have been required to be furnished to the Government, (7) use its best efforts to sell, in the manner, at the times, to the extent, and at the price or prices directed or authorized by the Contracting Officer, any property of the types referred to in provision (6) of this paragraph, PROVIDED, HOWEVER, that the Contractor (i) shall not be required to extend credit to any purchaser, and (ii) may acquire any such property under the conditions prescribed by and at a price or prices approved by the Contracting Officer; and PROVIDED further that the proceeds of any such transfer or disposition shall be applied in reduction of any payments to be made by the Government to the Contractor under this Contract or shall otherwise be credited to the price or cost of the work covered by this contract or paid in such other manner as the Contracting Officer may direct; (8) complete performance of such part of the work as shall not have been terminated by the Notice of Termination; and (9) take such action as may be necessary, or as the Contracting Officer may direct, for the protection and preservation of the property related to this contract which is in the possession of the Contractor and in which the Government has or may acquire an interest. At any time after expiration of the plant clearance period, as defined in Section VIII, Armed Services Procurement Regulation, as it may be amended from time to time, the Contractor may submit to the Contracting Officer a list, certified as to quantity and quality, of any or all items of termination inventory not previously disposed of, exclusive of items the disposition of which has been directed or authorized by the Contracting Officer, and may request the Government to remove such items or enter into a storage agreement covering them. Not later than fifteen (15) days thereafter, the Government will accept title to such items and remove them or enter into a storage agreement covering the same, PROVIDED that the list submitted shall be subject to verification by the Contracting Officer upon removal of the items, or if the items are stored, within forty-five (45) days from the date of submission of the list, and any necessary adjustment to correct the list as submitted shall be made prior to final settlement.

(c) After receipt of a Notice of Termination, the Contractor shall submit to the Contracting Officer its termination claim, in the form and

with the certification prescribed by the Contracting Officer. Such claim shall be submitted promptly but in no event later than two years from the effective date of termination, unless one or more extensions in writing are granted by the Contracting Officer, upon request of the Contractor made in writing within such two-year period or authorized extension thereof. However, if the Contracting Officer determines that the facts justify such action, he may receive and act upon any such termination claim at any time after such two-year period or any extension thereof. Upon failure of the Contractor to submit its termination claim within the time allowed, the Contracting Officer may determine, on the basis of information available to him, the amount, if any, due to the Contractor by reason of the termination and shall thereupon pay to the Contractor the amount so determined.

(d) Subject to the provisions of paragraph (c), the Contractor and the Contracting Officer may agree upon the whole or any part of the amount or amounts to be paid to the Contractor by reason of the total or partial termination of work pursuant to this clause, which amount or amounts may include a reasonable allowance for profit on work done. The contract shall be amended accordingly, and the Contractor shall be paid the agreed amount. Nothing in paragraph (c) of this clause, prescribing the amount to be paid to the Contractor in the event of failure of the Contractor and the Contracting Officer to agree upon the whole amount to be paid to the Contractor by reason of the termination of work pursuant to this clause, shall be deemed to limit, restrict, or otherwise determine or affect the amount or amounts which may be agreed upon to be paid to the Contractor pursuant to this paragraph (d).

(e) In the event of the failure of the Contractor and the Contracting Officer to agree as provided in paragraph (d) upon the whole amount to be paid to the Contractor by reason of the termination of work pursuant to this clause, the Contracting Officer shall determine, on the basis of information available to him, the amount, if any, due to the Contractor by reason of the termination and shall pay to the Contractor the amounts determined as follows:

(1) For completed supplies accepted by the Government (or sold or acquired as provided in paragraph (b)(7) above) and not theretofore paid for, a sum equivalent to the aggregate price for such supplies computed in accordance with the price or prices specified in the contract, appropriately adjusted for any saving of freight or other charges;

(2) The total of --

(i) The costs incurred in the performance of the work terminated, including initial costs and preparatory expense allocable thereto, but exclusive of any costs attributable to supplies paid or to be paid for under paragraph (e)(1) hereof;

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(ii) The cost of settling and paying claims arising out of the termination of work under subcontracts or orders, as provided in paragraph (b)(5) above, which are properly chargeable to the terminated portion of the contract (exclusive of amounts paid or payable on account of supplies or materials delivered or services furnished by subcontractors or vendors prior to the effective date of the Notice of Termination, which amounts shall be included in the costs payable under (i) above).

(iii) A sum equal to 2% of that part of the amount determined under (i) which represents the cost of articles and materials not processed by the Contractor, plus a sum equal to 8% of the remainder of such amount, but the aggregate of such sums shall not exceed 6% of the whole of the amount determined under subdivision (i) above, which amount for the purpose of this subdivision (iii) shall exclude any charges for interest on borrowing; provided, however, that if it appears that the Contractor would have sustained a loss on the entire contract had it been completed, no profit shall be included or allowed under this subdivision (iii) and an appropriate adjustment shall be made reducing the amount of the settlement to reflect the indicated rate of loss.

(3) The reasonable cost of settlement, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the contract and for the termination and settlement of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of property allocable to this contract.

The total sum to be paid to the Contractor under (1) and (2) of this paragraph (e) shall not exceed the total contract price as reduced by the amount of payments otherwise made and as further reduced by the contract price of work not terminated. Except for normal spoilage, and except to the extent that the Government shall have otherwise expressly assumed the risk of loss, there shall be excluded from the amounts payable to the Contractor as provided in paragraph (e)(1) and paragraph (e)(2)(i), the fair value, as determined by the Contracting Officer, of property which is destroyed, lost, stolen, or damaged so as to become undeliverable to the Government, or to a buyer pursuant to paragraph (b)(7).

(f) Any determination of costs under paragraph (c) or (e) hereof shall be governed by the Statement of Principles for Consideration of Costs set forth in Part 4 of Section VIII of the Armed Services Procurement Regulation, as in effect on the date of this contract.

(g) The Contractor shall have the right of appeal, under the clause of this contract entitled "Disputes", from any determination made by the Contracting Officer under paragraphs (c) or (e) above, except that if the Contractor has failed to submit its claim within the time provided in paragraph (c) above and has failed to request extension of such time, he shall have no such right of appeal. In extension of such time, he shall have no such right of appeal. In any case where the Contracting Officer has made a determination of the amount due under paragraph (c) or (e) above, the Government shall pay to the Contractor the following: (i) if there is no right of appeal hereunder or if no timely appeal has been taken, the amount so determined by the Contracting Officer, or (ii) if an appeal has been taken, the amount finally determined on such appeal.

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(h) In arriving at the amount due the Contractor under this clause there shall be deducted (1) all unliquidated advance or other unliquidated payments on account theretofore made to the Contractor, (2) any claim which the Government may have against the Contractor in connection with this contract, and (3) the agreed price for, or the proceeds of sale of, any materials, supplies, or other things acquired by the Contractor or sold, pursuant to the provisions of this clause, and not otherwise recovered by or credited to the Government.

(i) If the termination hereunder be partial, prior to the settlement of the terminated portion of this contract, the Contractor may file with the Contracting Officer a request in writing for an equitable adjustment of the price or prices specified in the contract relating to the continued portion of the contract (the portion not terminated by the Notice of Termination), and such equitable adjustment as may be agreed upon shall be made in such price or prices.

(j) The Government may from time to time, under such terms and conditions as it may prescribe, make partial payments and payments on account against costs incurred by the Contractor in connection with the terminated portion of this contract whenever in the opinion of the Contracting Officer the aggregate of such payments shall be within the amount to which the Contractor will be entitled hereunder. If the total of such payments is in excess of the amount finally agreed or determined to be due under this clause, such excess shall be payable by the Contractor to the Government upon demand, together with interest computed at the rate of 6% per annum, for the period from the date such excess payment is received by the Contractor to the date on which such excess is repaid to the Government; provided, however, that no interest shall be charged with respect to any such excess payment attributable to a reduction in the Contractor's claim by reason of retention or other disposition of termination inventory until ten days after the date of such retention or disposition.

(k) Unless otherwise provided for in this contract, or by applicable statute, the Contractor, from the effective date of termination and for a period of six years after final settlement under this contract, shall preserve and make available to the Government at all reasonable times at the office of the Contractor but without direct charge to the Government, all its books, records, documents, and other evidence bearing on the costs and expenses of the Contractor under this contract and relating to the work terminated hereunder, or, to the extent approved by the Contracting Officer, photographs, micro-photographs, or other authentic reproductions thereof.

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~~32. PAYMENTS~~

~~The Contractor shall be paid, upon the submission of properly certified invoices or vouchers, the prices stipulated herein for supplies delivered and accepted or services rendered and accepted, less deductions,~~

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~~if any, as herein provided. Unless otherwise specified, payment will be made on partial deliveries accepted by the Government when the amount due on such deliveries so warrants; or, when requested by the Contractor, payment for accepted partial deliveries shall be made whenever such payment would equal or exceed either \$1,000 or 50% of the total amount of this contract.~~

### 33. DEFAULT

(a) The Government may, subject to the provisions of paragraph (b) below, by written Notice of Default to the Contractor, terminate the whole or any part of this contract in any one of the following circumstances:

(i) If the Contractor fails to make delivery of the supplies or to perform the services within the time specified herein or any extension thereof; or

(ii) If the Contractor fails to perform any of the other provisions of this contract, or so fails to make progress as to endanger performance of this contract in accordance with its terms, and in either of these two circumstances does not cure such failure within a period of 10 days (or such longer period as the Contracting Officer may authorize in writing) after receipt of notice from the Contracting Officer specifying such failure.

(b) The Contractor shall not be liable for any excess costs, if any failure to perform the contract arises out of causes beyond the control and without the fault or negligence of the Contractor. Such causes include, but are not restricted to, acts of God or of the public enemy, acts of the Government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, unusually severe weather, and defaults of subcontractors due to any of such causes unless the Contracting Officer shall determine that the supplies or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the Contractor to meet the required delivery schedule

(c) In the event the Government terminates this contract in whole or in part as provided in paragraph (a) of this clause, the Government may procure, upon such terms and in such manner as the Contracting Officer may deem appropriate, supplies or services similar to those so terminated, and the Contractor shall be liable to the Government for any excess costs for such similar supplies or services, PROVIDED that the Contractor shall continue the performance of this contract to the extent not terminated under the provisions of this clause.

(d) If this contract is terminated as provided in paragraph (a) of this clause, the Government, in addition to any other rights provided in this clause, may require the Contractor to transfer title



and deliver to the Government, in the manner and to the extent directed by the Contracting Officer, (i) any completed supplies, and (ii) such partially completed supplies and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information and contract rights (hereinafter called "manufacturing materials") as the Contractor has specifically produced or specifically acquired for the performance of such part of this contract as has been terminated; and the Contractor shall, upon direction of the Contracting Officer, protect and preserve property in possession of the Contractor in which the Government has an interest. The Government shall pay to the Contractor the contract price for completed supplies delivered to and accepted by the Government, and the amount agreed upon by the Contractor and the Contracting Officer for manufacturing materials delivered to and accepted by the Government and for the protection and preservation of property. Failure to agree shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes."

(e) If, after notice of termination of this contract under the provisions of paragraph (a) of this clause, it is determined that the failure to perform this contract is due to causes beyond the control and without the fault or negligence of the Contractor pursuant to the provisions of paragraph (b) of this clause, such Notice of Default shall be deemed to have been issued pursuant to the clause of this contract entitled "Termination for Convenience of the Government" and the rights and obligations of the parties hereto shall in such event be governed by such clause. Except as otherwise provided in this contract, this paragraph (e) applies only if this contract is with a military department.

(f) The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

#### 34. SUBCONTRACTS FOR WORK OR SERVICES

(a) No contract shall be made by the Contractor with any other party for furnishing any of the completed or substantially completed articles, spare parts or work, herein contracted for, without the written approval of the Contracting Officer as to sources.

(b) The Contractor shall give specific advance notification to the Contracting Officer of any proposed subcontract hereunder which (i) is on a cost or cost-plus-a-fixed-fee basis, or (ii) is on a fixed-price basis exceeding in dollar amount either \$25,000 or five percent (5%) of the total amount of this contract.

FP (Oct. 8, 1956)  
Price Rev.



(c) The Contractor shall not, without the prior written consent of the Contracting Officer, place any subcontract which (i) is on a cost or cost-plus-a-fixed-fee basis, or (ii) is on a fixed price basis exceeding in dollar amount either \$25,000 or five percent (5%) of the total amount of this contract, or (iii) provides for the fabrication, purchase, rental, installation or other acquisition, of any item of industrial facilities, or of special tooling having a value in excess of \$1,000, or (iv) is on a time-and-material or labor-hour basis. The Contracting Officer may, in his discretion, ratify in writing any such subcontract; such action shall constitute the consent of the Contracting Officer as required by this paragraph (c).

(d) The Contractor agrees that no subcontract placed under this contract shall provide for payment on a cost-plus-a-percentage-of-cost basis.

(e) The Contracting Officer may, in his discretion, specifically approve in writing any of the provisions of a subcontract. However, such approval or the consent of the Contracting Officer obtained as required by this clause shall not be construed to constitute a determination of the acceptability of the subcontract price, unless such approval specifically provides that it constitutes a determination of the acceptability of the subcontract price.

(f) The Contracting Officer may approve all or any part of the Contractor's purchasing system and from time to time rescind or reinstate such approval. Such approval shall be deemed to fulfill the requirements of paragraphs a, b, and c of this Article 34. The Contracting Officer has approved the Contractor's purchasing system, and such approval shall remain in effect unless rescinded by the Contracting Officer in writing.

### 35. ALTERATIONS IN CONTRACT

The following alterations were made in this contract prior to signature thereof by the parties to this contract:

(a) The following articles were added:

### 36. INSPECTION AND AUDIT

(a) The Contractor agrees that its books and records and its plants, or such part thereof as may be engaged in the performance of this contract, shall at all reasonable times be subject to inspection and audit by and authorized representative of the Contracting Officer.

(b) The Contractor shall cause a like provision to be included in all subcontracts hereunder.

### 37. SUPERSEDING SPECIFICATIONS

All references in any Government specification incorporated herein to other Government specifications shall be deemed to include all specifications supplementary to or superseding the specifications so referred to, to the extent that such supplementary or superseding specifications are in effect at the date of Contractor's latest quotation, if the Contractor was furnished or otherwise notified of the existence of such supplementary or superseding specification at the time of said quotation.

### 38. DELAY IN DELIVERY DATA

(a) It is understood that the efficient use by the Government of the supplies called for hereunder requires that the data called for hereunder be delivered not later than the time or respective times herein specified. If such data is not delivered at said time or times, the Government may at its election, so long as such data remains undelivered, unless the delay in delivery thereof arises out of causes beyond the control and without the fault or negligence of the Contractor within the meaning of the clause hereof entitled "Default," withhold payment to the Contractor for any of the amounts then due, refuse approval of the Contractor's vouchers and refuse to accept further deliveries hereunder from the Contractor or take any other action authorized by law or regulation now or hereafter in effect including termination of the

**SECRET**

contract for default to the extent and in the manner authorized by said clause, and may take any or all of the foregoing actions separately or in combination.

(b) The provisions of this clause shall only be applicable to technical data, such as handbooks, service manuals, or other information necessary for the proper maintenance or servicing of the end items called for herein.

#### 39. QUALITY CONTROL SPECIFICATION

Except as otherwise provided in this contract, the Contractor's system of quality control during the performance of this contract shall be in accordance with the provisions of Military Specification MIL-Q-5923, as in effect on the date of this contract, incorporated herein by reference, unless this contract is one of the types specified in paragraph 1.2 of said specification.

#### 40. ADDITIONAL TAX PROVISION

The term "contract date" under the clause hereof entitled "Federal, State and Local Taxes" shall also be deemed to refer to the date of approval of the respective Exhibits or Spare Parts Change Requests submitted pursuant to this contract.

#### 41. SHIPMENTS

(a) Unless otherwise provided in this contract or unless the Contracting Officer acting under the "Changes" clause hereof directs in writing otherwise, all supplies to be furnished under this contract shall be delivered f.o.b. carrier's equipment at the plant or plants at which such supplies are to be finally inspected and accepted, or if the facilities for shipment by carrier's equipment are not available at the Contractor's plant, f.o.b. the point or points nearest thereto that carrier service is available. When the carrier's equipment is rail, any shipment occupying sufficient space in a railroad car to constitute a carload shipment subject to carload freight rates shall be properly and adequately loaded in freight cars by the contractor, and any shipment subject to less-than-carload freight rates shall be delivered by the contractor into the carrier's possession at the contractor's plant, or at the point or points nearest thereto at which delivery can be effected.

(b) Whenever it is provided in this contract that supplies shall be delivered f.o.b. specified destinations, such supplies shall be shipped direct by the Contractor to the specified destinations on commercial bills of lading, at the expense of the contractor. Provided, however, that nothing contained herein shall preclude reimbursement of the Contractor by the Government of any such transportation expenses if this is a cost-reimbursement type contract.

(c) Notwithstanding other provisions of this contract, shipments made under cost reimbursement contracts which do not exceed (i) 1000 pounds if shipped by rail, truck, or freight forwarded, or (ii) 100 pounds if shipped by railway express, or (iii) 50 pounds if shipped by commercial air, shall be made by commercial bills of lading, charges to destination(s) paid by the Contractor.

(d) Consignment Instructions. Consignment instructions shall be made by the authorized Representative on the respective Production List.

FP (Oct. 8, 1964)  
Price Rev.

**SECRET**

**SECRET**

(e) Shipping Instructions. If not otherwise provided herein, names of consignees of all supplies to be delivered by the Contractor hereunder will be furnished in writing by the Contracting Officer at a later date. Request therefor shall be made to such address as the Contracting Officer may direct, not later than thirty (30) days prior to the date on which any of the articles are ready for shipment.

(f) Routing Instructions. If not otherwise provided herein and deliveries are other than f.o.b. specified destinations, Government routing instructions will be furnished to the Contractor in writing by the Contracting Officer at a later date. If the Government routing instructions have not been received by the Contractor thirty (30) days prior to date on which any of the articles are anticipated to be ready for shipment, request therefor shall immediately be made to the Contracting Officer.

(g) Notice of Shipments. At the time of delivery of any shipment of supplies to a carrier for transportation, the Contractor shall give prepaid notice of shipment to the consignee establishment, and to such other persons or installations designated by the Contracting Officer, in accordance with instructions of the Contracting Officer. If such instructions have not been received by the Contractor at least 24 hours prior to such delivery to a carrier, the Contractor shall request instructions from the Contracting Officer concerning the notice of shipment to be given.

(h) Computation of Delivery Time. For the purpose of determining the fulfillment of this contract so far as delivery dates are concerned, in the event the delivery point or points are not the same as the point or points of destination, the time of delivery of the supplies shall be the date of delivery to the carrier ready for shipment to destination.

(i) Shipments by the Government. Unless this is a cost-reimbursement type contract, any articles, supplies or other items to be delivered by the Government to the Contractor shall, unless otherwise provided herein, be delivered to the Contractor from carrier's equipment at the plant or plants of the Contractor designated, or if facilities for shipment by carrier's equipment are not available at the Contractor's plant or plants, f.o.b. the point or points nearest thereto that carrier's equipment is available.

(j) Where the contract provides that inspection and acceptance shall be accomplished at a subcontractor's plant (whether in whole or in part) the foregoing provisions, except paragraphs (e) and (f), shall be equally applicable to such subcontractors as provided in said subcontract. Subcontractors' shipping instructions and routing instructions, if not previously furnished, shall be requested from the Prime Contractor.

#### 42. TIME FOR ISSUANCE OF PRODUCTION LISTS

No new Production List shall be issued under this contract after the date set forth in the Schedule unless such time is extended by written agreement of the parties hereto.

#### 43. FORMS

Attached hereto are samples of the format for Production Lists and Exhibits to which the parties hereto shall conform in the preparation of such instruments.

**SECRET**

**SECRET****44. RIGHTS IN DATA - UNLIMITED**

(a) The term "Subject Data" as used herein includes writings, sound recordings, pictorial reproductions, drawings or other graphical representations, and works of any similar nature (whether or not copyrighted) which are specified to be delivered under this contract. The term does not include financial reports, cost analyses and other information incidental to contract administration.

(b) Subject to the proviso of (c) below, the Government may duplicate, use, and disclose in any manner and for any purpose whatsoever, and have others so do, all Subject Data delivered under this contract.

(c) The Contractor agrees to and does hereby grant to the Government, and to its officers, agents, and employees acting within the scope of their official duties, a royalty-free, non-exclusive, and irrevocable license throughout the world, to publish, translate, reproduce, deliver, perform, dispose of and to authorize others so to do, all Subject Data now or hereafter covered by copyright; provided, that with respect to such Subject Data not originated in the performance of this contract but which is incorporated in the work furnished under this contract such license shall be only to the extent that the Contractor, its employees, or any individual or concern specifically employed or assigned by the Contractor to originate and prepare such Data under this contract, now has, or prior to completion or final settlement of this contract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

(d) The Contractor shall exert all reasonable effort to advise the Contracting Officer, at the time of delivery of the Subject Data furnished under this contract, of all invasions of the right of privacy contained therein and of all portions of such Data copied from work not composed or produced in the performance of this contract and not licensed under this clause.

(e) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of copyright infringement received by the Contractor with respect to all Subject Data delivered under this contract.

(f) Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

(g) The Contractor shall not affix any restrictive markings upon any Subject Data, and if such markings are affixed, the Government shall have the right at any time to modify, remove, obliterate or ignore any such marking.

**45. CERTIFICATE OF ACCEPTANCE**

(a) At the option of the Contracting Officer any of the supplies or services to be furnished hereunder may be accepted without prior Government inspection upon receipt of a certificate of the Contractor attached to an invoice for said supplies or services reading substantially as follows:

FP (Oct. 8, 1956)  
Price Rev.

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**SECRET**

**SECRET**

"I hereby certify that I did, on the \_\_\_\_\_ day of \_\_\_\_\_ 1958, (ship via \_\_\_\_\_, in accordance with shipping instructions issued by the Contracting Officer, the supplies called for by Contract No. (insert contract number) \_\_\_\_\_; that such supplies were in the quantities and of the quality called for, and were in all respects in accord with the applicable specifications) or (complete the services called for by Contract No. (insert contract number) \_\_\_\_\_, item \_\_\_\_\_; that such services were in the quantity and of the quality called for, and were in all respects in accord with applicable specifications). This statement is furnished to support payment of the attached invoice."

(b) Notwithstanding any provisions of the certificate above referred to, and notwithstanding the provisions of paragraph (c) of the clause hereof entitled "Inspection" or "Inspection of Supplies and Correction of Defects" as the case may be, the liability of the Contractor with respect to supplies accepted by the Government under the provisions of paragraph (a) above will, after inspection by the Government or after the expiration of a reasonable time following delivery to the Government within which inspection may be made, whichever occurs first, be limited (except as to supplies rejected upon such inspection) to liability for latent defects, fraud, or such gross mistakes as amount to fraud."

(b) The following articles were deleted:

3	EXTRAS
17	AIRCRAFT IN THE OPEN
29	REPRODUCTION & USE OF TECHNICAL DATA
32	PAYMENTS

(c) Paragraphs (b), (c), (d), (e) and (f) of Article 34 were deleted.

FP (Oct. 8, 1956)  
Price Rev.

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**SECRET**

**SECRET**

DPS-1788

Copy 7 of 16

*HF-CT-696*  
*offlet*

26 June 1958

AMENDED PAYMENT PLAN FOR HYCON MFG. CO.

All payments to the Hycon Mfg. Co., pursuant to Contract Nos. FS-99, OS-100, HTR-88, BC-200, BC-450, NY-TB-711, and HF-CT-696 including interim and final payments for work and services performed for which vouchers have been submitted, will be accomplished as follows:

1. Interim and final vouchers submitted by the Hycon Mfg. Co., will be approved for payment by the Special Assistant to the Director for Planning and Development and certified for payment by the Comptroller, DPS.
2. Interim and final vouchers submitted by the Hycon Mfg. Co., will be approved and certified by the Contracting Officer, DPS.
3. U. S. Treasury checks will be drawn in the amounts of authorized payment by the on site Representative of the Chief Disbursing Officer, payable to Hycon Mfg. Co., and mailed with a sterile form showing the appropriate contract number and invoice (voucher) number(s) for which the check is in payment.
4. Checks will be transmitted to the Hycon Mfg. Co., in double envelopes. The outer envelope will be addressed to:

The return address will read:

**SECRET**

**SECRET**

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25X1

The inner envelope will be marked: "To be opened by  only".

**CONCURRENCES:**

25X1

Security Officer, DPS

25X1

6/27/58  
Comptroller, DPS

25X1

6/30/58  
Office of General Counsel

**APPROVED:**

25X1

RICHARD M. BISSELL, JR.  
Special Assistant to the Director  
for Planning and Development

SA/PD/DCI:HL:bas  
Distribution:

25X1

Orig.  FS-99  
2. - OS-100  
3. HTR-88  
4. -200  
5. BC-450  
6. - NY-TB-711  
7. HF-CT-696  
8. - 14. - Finance, DPS  
15. - Security, DPS  
16. - Chrono (RI)

**SECRET**

SECRET

DPS-1818  
Copy 1 of 3

25 June 1958

CENTRAL INTELLIGENCE AGENCY  
Contracting Officer's  
DETERMINATIONS AND FINDINGS

AUTHORITY TO NEGOTIATE CONTRACT

The Central Intelligence Agency proposes to enter into a contract with Hycon Mfg. Company, Pasadena, California, for furnishing spare parts, modification kits, components and data for equipment of types which have been, are being or may hereinafter be manufactured by the Contractor.

I hereby find that this procurement, Project CHALICE is estimated to cost \$135,000 of which \$67,500 is chargeable to CHALICE Fiscal Year 1959 funds, and \$67,500 is chargeable during F.Y.1959 to "NO YEAR" Air Force money. I also find that this procurement is in the interest of National Defense and that it will be certified by the Director of Central Intelligence in accordance with procedure approved by the DCI on 15 December 1956, to be for objects of a confidential, extraordinary and emergency nature and therefore within the purview of procurement authority of the Agency as stated in Section 10(b) of Public Law 110, 81st Congress. Procurement by formal advertising of the services called for by the proposed Contract No. HF-CT-696 would result in public disclosure of the nature and character of basic equipment previously procured and would thereby jeopardize the security classification of this project.

I hereby determine, as Contracting Officer for this contract, that the necessity and authority for negotiation of this contract have been adequately documented by proper Agency authority, and that the proposed contract must necessarily be negotiated without formal advertising.

Contracting Officer, DPS/DCI

DPS/DCI:HL:pf

Distr:

✓ Orig

2 - Finance

3 - Chrono

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**SECRET**

19 June 1959

**MEMORANDUM FOR THE RECORD**

**SUBJECT:** Concurrence in Amendment No. 4 to Contract No. HF-CT-696  
with Hycon Mfg. Co.

The undersigned has reviewed the subject contract or amendment and finds that the scope of work included therein is in accordance with the requirements levied on the Project CHALICE procurement system by the Department of the Air Force.

B

Lt. Col., USAF

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DPD-4175-59  
Copy 1 of 3  
19 June 1959

MEMORANDUM FOR THE RECORD

SUBJECT: Concurrence in Amendment No. 4 to Contract No. HF-CT-696 with  
HYCON MFG. COMPANY  
Pasadena, California  
Crypto, Offlet CT; Project CHALICE (Air Force)

1. This memorandum contains a recommendation submitted for concurrence of the undersigned. Such recommendation is contained in Paragraph 5.

2. Contract No. HF-CT-696 is a fixed price open call type for use by the Air Force and the Project in ordering spare parts, modification hits, components, and data for equipment which has been manufactured by the Contractor.

3. Amendment No. 4 incorporates a fixed pricing formula for the period 1 February 1959 through 30 June 1959. The Amendment also reduces the funds allotted for customer No. 1 in the amount of \$23,000. This \$23,000 should be liquidated from CHALICE FY-59 funds previously obligated for this contract. By concurrence to this memorandum the Comptroller signifies that funds have been adjusted as requested above.

4. Certification of funds for this contract will be handled under the procedure approved by the Director of Central Intelligence on 15 December 1956 which, in effect, results in all covered expenses involving issuance of Treasury Checks being accumulated in a separate account within the Finance Division. The amounts in this account will be periodically scheduled for certification of the vouchers by the Director. This procedure eliminates the necessity for a separate certification of authority under Section 8(b) of Public Law 110, 81st Congress, (formerly 10(b) see 85-507 dtd. 7/7/58) for each contract.

5. Concurrence in Amendment No. 4 to Contract No. HF-CT-696 is recommended.

CONCURRENCES.

Contracting Officer, DPD

Office of General Counsel

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DPD-4174-59  
 Copy 1 of 2  
 19 June 1959

## MEMORANDUM FOR THE RECORD

SUBJECT: Negotiations for fixed pricing formula. Contract No. HF-CT-696;  
 HYCON MANUFACTURING COMPANY

1. Negotiations were held on 2 June 1959 at HYCON MFG. COMPANY for the purpose of negotiating a fixed pricing formula for the period 1 February 1959 through 30 June 1959.

2. Listed below is a recap of the proposed, recommended and rates as negotiated.

	<u>PROPOSED</u> <u>BY HYCON</u>	<u>RECOMMENDED</u> <u>BY AF AUDITOR</u>	<u>NEGOTIATED</u> <u>BY C. O.</u>
Burden on Outside Processing & Subcontracts	16%	14%	14%
M & O Burden	155%	155%	155%
Shop Burden	190%*	170%**	190%
G & A	16%	14½%	15%
Burden on Material & Purchased Parts	16%	14%	14%

\* Contractor on 24 April 1959 formally requested 170% but orally revised this on 2 June 1959 to 190% based on added experience.

\*\* Auditor recommended for acceptance based on 196% experienced rate for a three (3) month period ending 30 April 1959.

The Air Force Auditor states that the proposed direct labor rates are reasonable and recommended acceptance. The Auditor indicated that the proposed .25¢ per hour increase for leadmen conforms with latest agreement between HYCON and its Union.

3. The Air Force Auditor orally concurred in the rates negotiated which were arrived at as a result of discussions with HYCON and review of the Auditor's working papers.

APPROVED:

Contracting Officer

Office of General Counsel

**SECRET**

DPD-1683-59  
Copy 1 of 3  
12 March 1959

MEMORANDUM FOR THE RECORD

SUBJECT: Approval of Amendment No. 3 to Contract No. HF-CT-696 with  
Hycon Mfg. Co., Pasadena, Calif., Project CHALICE (Air Force)

1. This memorandum contains a recommendation submitted for approval of the Office of General Counsel. Such recommendation is set forth in Paragraph 4.

2. Contract No. HF-CT-696 is a fixed-price-open call type contract for use by the Project and Air Force in ordering spare parts, modification kits, components and data for equipment which has been manufactured by the Contractor.

3. Amendment No. 3 extends the existing pricing formula for the month of January 1959. This action was concurred in by the Air Force Audit Liaison Officer during negotiations at the Contractor's Plant on 2 and 3 March 1959. A pricing formula for the period February to June 1959 will be established as soon as the company adjusts their overhead base due to changing direct types into the overhead pool. No funds are involved as a result of this Amendment.

4. Approval of Amendment No. 3 to Contract No. HF-CT-696 as written is recommended.

Contracting Officer

APPROVED:

Office of General Counsel

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**SECRET**



12 March 1959

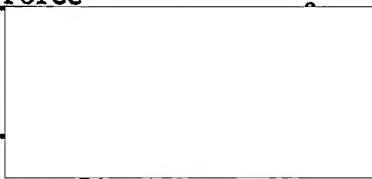
MEMORANDUM FOR THE RECORD

SUBJECT: Approval of Amendment No. 3 to Contract No. HF-CT-696 with Hycon Mfg. Co.

The undersigned has reviewed the subject contract or amendment and finds that the scope of work included therein is in accordance with the requirements levied on the Project CHALICE procurement system by the Department of the Air Force

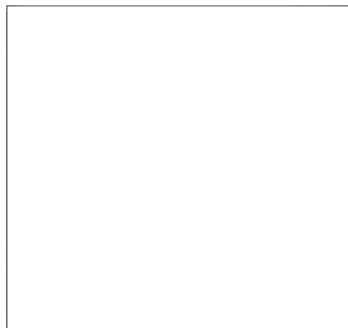
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BY

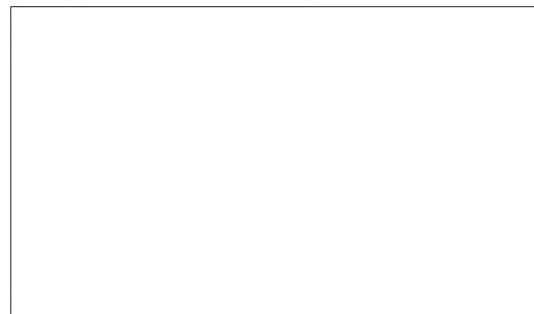


Lt. Col., USAF

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**SECRET**

11 February 1959

**MEMORANDUM FOR THE RECORD**

**SUBJECT:** Concurrence in Amendment No. 2 to Contract No. HF-CT-696  
Hycon Mfg. Co., Pasadena, California Project CHALICE (Air Force)

The undersigned has reviewed the subject contract or amendment and finds that the scope of work included therein is in accordance with the requirements levied on the Project CHALICE procurement system by United States Air Force.

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BY

Lt. Col. USAF

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DPD-1056-59

Copy 1 of 3

11 February 1959

MEMORANDUM FOR THE RECORD

SUBJECT : Concurrence in Amendment No. 2 to Contract No. HF-CT-696  
Hycon Mfg. Company, Pasadena, California. Project CHALICE  
(Air Force)

1. This memorandum contains a recommendation submitted for approval of the Deputy Director (Plans). Such recommendation is set forth in Paragraph 5.

2. Contract No. HF-CT-696 is a fixed-price-open-call type contract for use by the Project and Air Force in ordering spare parts, modification kits, components and data for equipment which has been manufactured by the company.

3. Amendment No. 2 allocates \$20,000 additional for use by the Air Force, Customer No. 2. This \$20,000 should be obligated during fiscal year 1959 against "No Year" Air Force money. By concurrence to this memorandum, the Comptroller signifies that sufficient funds are available for this additional obligation.

4. Certification of funds for this contract will be handled under the procedure approved by the Director of Central Intelligence on 15 December 1956, which in effect results in all 8(b) expenses involving issuance of Treasury Checks being accumulated in a separate account within the Finance Division. The amounts in this account will be periodically scheduled for certification of the vouchers by the Director. This procedure eliminates the necessity for a separate certification of authority under Section 8(b) of Public Law 110, 81st Congress, for each contract.

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5. Approval of Amendment No. 2 to Contract No. HF-CT-696 and execution thereof on behalf of the Agency by the authorized Contracting Officer is recommended.

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Contracting Officer, DPD-DD/P

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Director of D and P, DPD-DD/P

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Comptroller, DPD-DD/P

2/12/59

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Approval requested in Paragraph 5, granted.

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Office of General Counsel



Deputy Director  
(Plans)

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Distr.

- Orig. - HF-CT-696
- 2. - Finance
- 3. - Chrono

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DPS-3650  
Copy 4 of 3

29 August 1958

MEMORANDUM FOR THE RECORD

SUBJECT: Concurrence in Amendment No. 1 to Contract No. HF-CT-696  
with the Hycon Mfg. Company, Pasadena, California, OFFLET/CT,  
Project CHALICE and Air Force

1. This memorandum contains a recommendation submitted for approval of the Special Assistant to the Director for Planning and Development. Such recommendation is set forth in Paragraph 4.

2. Contract No. HF-CT-696 is a fixed-price-open-call type contract for use by the Project and Air Force in ordering spare parts, modification kits, components and data for equipment which has been manufactured by the company.

3. This Amendment No. 1 is issued for the purpose of incorporating the fixed pricing formula into the contract for the period 1 July 1958 through 31 December 1958. This amendment does not obligate additional funds.

4. Approval of Amendment No. 1 to Contract No. HF-CT-696 and execution thereof on behalf of the Agency by the authorized Contracting Officer is recommended.

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[Redacted Signature]

Contracting Officer

CONCURRENCES:

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[Redacted Signature]

Director of D and P, DPS

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[Redacted Signature]

Comptroller, DPS

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[Redacted Signature]

Office of General Counsel

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Approval requested in  
Paragraph 4, granted.

[Redacted Signature]

**SECRET**

Special Assistant to the Director  
for Planning and Development

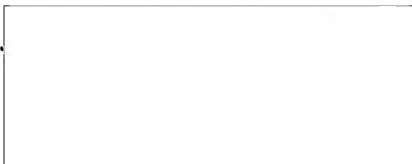
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Copy 7 of 16

26 August 1958


AMENDED PAYMENT PLAN FOR HYCON MFG. COMPANY

All payments to the Hycon Mfg. Company pursuant to Contracts Nos. FS-99, OS-100, BC-200, BC-450, HTR-88, NY-TB-711 and NF-CT-696, including interim and final payments for work and services performed for which vouchers have been submitted, will be accomplished as follows:

1. Interim and final vouchers submitted by the Hycon Mfg. Company will be approved for payment by the Special Assistant to the Director for Planning and Development and certified for payment by the Comptroller.
2. Interim and final vouchers submitted by the Hycon Mfg. Company will be approved and certified by the Contracting Officer.
3. U. S. Treasury checks will be drawn in the amounts of authorized payment by the on site Representative of the Chief Disbursing Officer, payable to Hycon Mfg. Company and mailed with a sterile form showing the appropriate contract number and invoice (voucher) number(s) for which the check is in payment.
4. Checks will be transmitted to the Hycon Mfg. Company in double envelopes. The outer envelope will be addressed to:



The return address will read:

The inner envelope will be marked: "To be opened by  only".**CONCURRENCES:**

Security Officer, DPS

Comptroller, DPS

Office of General Counsel

APPROVED:

RICHARD M. BISSELL, JR.  
Special Assistant to the Director  
for Planning and Development

DPS/DCI  pf  
Distribution:

- 1 - FS-99
- 2 - OS-100
- 3 - BC-200
- 4 - BC-450
- 5 - HTR-88
- 6 - NY-TB-711
- ✓ 7 - NF-CT-696

Cy 8 to 14 - Finance  
15 - Security  
16 - Chrono

**SECRET**

STAT

STAT

STAT

HF-CT-696

DPS-1815  
Copy 2 of 8

JUL 1 1958

Enclosed is the original and two copies of Contract No. HF-CT-696 for your review and acceptance. Retain copy 2 for your files and return copy 1 and copy 3 to the undersigned.

As discussed with you, it is now required that items for your M&O facility be segregated and be maintained by customers rather than in one composite location. It is requested that you submit to [redacted] a list of items you recommend for the M&O facility for use for Customer No. 1. Likewise, submit your recommendation to [redacted] for Customer No. 2. After review, each Depot will issue a Purchase Request to cover their respective items for issuance to the Government's Bonded Warehouse to be located in your M&O Facility.

It is intended that the following procedure will be followed in utilizing this contract:

(1) There are two (2) separate users of the supplies to be furnished under this contract; (a) the Project, Customer No. 1 and FOG, Customer No. 2.

(2) The Contractor will maintain two (2) master lists of equipment supplied or to be supplied as follows:

Customer No. 1 - Supplies for the Project  
Customer No. 2 - Supplies for the FOG

Supplies will be added or deleted from these lists in accordance with the procedures outlined herein.

(3) Production Lists and Proposed Call Lists shall be generated by the Contractor and will be maintained as follows:

a. Production Lists

I. Project - Customer No. 1 - Upon determination of a requirement generated by the Project using activity or depot or contractor proposed change to equipment or list of equipment recommended by the Contractor for the Project's Bonded Warehouse for use in the Contractor's maintenance and overhaul facility which are approved by the Project: the authorized representatives of the Contracting Officer at the Project Depot (Major

Robert G. Welch or Captain Charles T. Crowe) will forward a signed "Depot Purchase Request" to the Contractor. Upon determination of a requirement by the Contracting Officer, the Contracting Officer will forward a request to the Contractor. Immediately upon receipt of either a Depot Purchase Request or request from the Contracting Officer, Contractor will review it for any items which have been rendered obsolete by design changes and in lieu thereof insert the superseding or interchangeable item, if any, in the same or lesser quantities, as appropriate. Contractor will generate a Production List from such Depot Purchase Requests and/or Contracting Officer Requests and shall transmit four (4) copies, together with any pertinent information concerning the superseded items. One (1) copy shall be sent to the Contracting Officer and three (3) copies to the Project Depot.

All Production Lists for the Project will be numbered serially, and each serial number will be prefixed with the words "Customer No. 1".

II. FOG - Customer No. 2 - The procedures for the FOG will be the same as that for the Project except:

(1) The FOG Depot [ ] shall be substituted therein, and

(2) "FOG" shall be substituted for "Project" therein, and

(3) FOG WSPD [ ] shall be authorized to request and/or approve changes and will be forwarded one (1) copy of the Production List, and

(4) Serial numbers on Production Lists will be prefixed with the words, "Customer No. 2".

III. It is contemplated that Production Lists for each Customer will be submitted at frequent intervals and will include all requests received in that interval as well as the Purchase Request No. or Hdq. No. applicable thereto.

b. Call Lists (Priced Exhibits)

- I. Contractor shall prepare and submit to the Contracting Officer a Proposed Call List for each Customer which shall present Contractor's prices and which shall include thereon the numbers of the Production Lists which are applicable thereto.
- II. Proposed Call Lists will be serial numbered and will include as a prefix to the serial number the designation "Customer No. 1", if for the Project, and "Customer No. 2" if for the FOG. These lists will be prepared in accordance with the part of the contract entitled "Procedure for Pricing".

Each Proposed Call List will indicate the total price thereof, the total approved price and the balance of funds remaining for the applicable Customer. Upon receipt and approval by the Contracting Officer this list shall be an Approved Call List and shall become an integral part of the contract. It is contemplated that a Proposed Call List will be submitted monthly. Distribution will be made as follows:

Vellum - Contracting Officer  
1st print - Contracting Officer  
2d print - Contractor  
3d print - Proj. Finance Officer  
4th print -   
5th print -   
6th print -

(4) Delivery of items supplied to Customer No. 1 or No. 2 will be receipted by the applicable Depot Supply Officer or their authorized representatives on Contractor's Shipping Memos which will in turn be used to document delivery on the Contractor's invoices.

Delivery of items supplied to the respective Customer's Bonded Warehouse Area at the Contractor's M&O plant will be receipted by qualified Contractor personnel, to be designated by the Contracting Officer in writing, on the Contractor's Receiving Inspection Reports. These reports shall be countersigned by the applicable authorized Depot which will in turn be used to document delivery on the Contractor's invoices.

(5) It is understood that all prices and delivery dates which appear on Production Lists are for planning purposes only and do not represent a quotation on the part of the Contractor.

(6) It is further understood that when line item quantities requested for Customer No. 1 or No. 2 are lower than the minimum lot quantities available to the Contractor, the Contractor may increase the total quantity of the several lists to the minimum lot quantity, and the Government agrees to accept such additional quantity provided that the Government will incur no additional cost thereby. The quantity increase described herein may appear either in the Production List or the Proposed Call List.

A copy of this letter is being forwarded to

If some procedural areas require change or clarification, please advise.

Very truly yours,

Dan


STAT

*JS 2070*  
*1 2*

26 June 1958

*Effect*  
SUBJECT: Contract No. HF-CT-696 *Production Section*

TO: Contracting Officer

It is requested that the amount of \$67,500.00 be placed on Contract No. HF-CT-696 with Hycon Manufacturing Company to cover Production List purchases by  in Fiscal Year 1959. It is understood that funding of this contract will be shared on a fifty-fifty basis by Project and FOG.

STAT

STAT



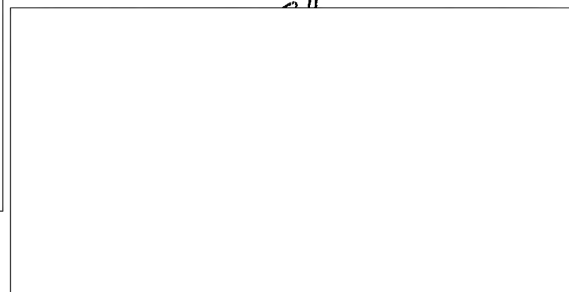
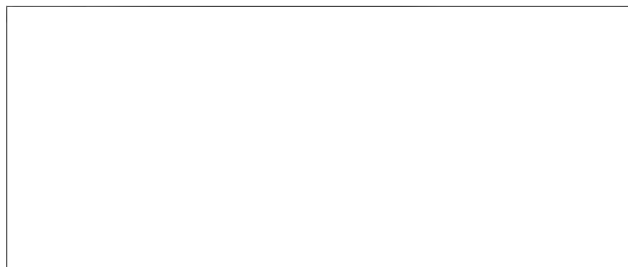
Lt. Colonel, USAF

STAT

cc: 

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*Production List*  
*Requisition*  
*Contract*

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SECRET



26 June 1958

MEMORANDUM FOR THE RECORD

SUBJECT : Concurrence in Contract No. HF-CT-696 with  
Hycon Mfg. Company, Pasadena, Calif.

1. The undersigned has reviewed the subject contract or amendment and finds that the scope of work included therein is in accordance with the requirements levied on the Project AQUATONE procurement system by the Department of the Air Force.

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BY

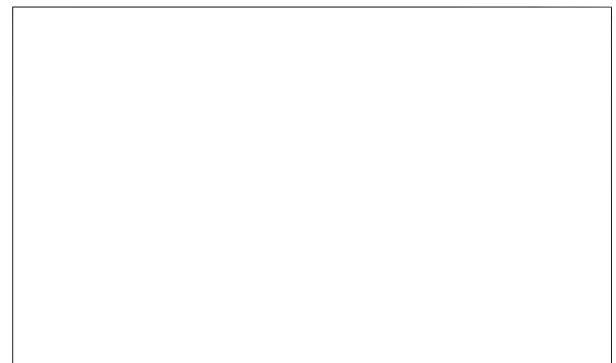


Lt. Col, USAF

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SECRET



SECRET

DPS-1817  
Copy 1 of 3

26 June 1958

MEMORANDUM FOR THE RECORD

SUBJECT: Concurrence in Contract No. HF-CT-696 with Hycon  
Mfg. Company, Pasadena, California, OFFLET/CT,  
Project CHALICE (AIR FORCE)

1. This memorandum contains a recommendation submitted for approval of the Special Assistant to the Director for Planning and Development. Such recommendation is set forth in Paragraph 5.

2. This is a Fixed-Price-Open-Call type contract for use by the Project and FOG in ordering spare parts, modification kits, components, and data for equipment of types which have been, are being, or may hereinafter be manufactured by the Contractor. The contract also provides for supplying spares to a bonded warehouse for each customer for use by the Company in their maintenance and overhaul facility (Contract No. BC-450). This type of equipment was formerly procured under Item 1 of Schedule III of BC-200. The contract provides for establishment and incorporation of a fixed pricing formula for certain periods of time. The contract is effective for the period 1 July 1958 through 30 June 1959.

3. Funds should be charged during Fiscal Year 1959 as follows:

CHALICE	\$ 67,500
AIR FORCE	<u>67,500</u>
Total	\$135,000

By concurrence to this memorandum the Comptroller signifies that sufficient funds are available for the Air Force obligation and that funds for the CHALICE obligation have been noted and will be recorded when available.

4. Certification of funds for this contract will be handled under the procedure approved by the Director of Central Intelligence on 15 December 1956, which in effect results in all 10(b) expenses involving issuance of Treasury Checks being accumulated in a separate account within the Finance Division. The amounts in this

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account will be periodically scheduled for certification of the vouchers by the Director. This procedure eliminates the necessity for a separate certification of authority under Section 10(b) of Public Law 110, 81st Congress, for each contract.

5. Approval of Contract No. HF-CT-696 and execution thereof on behalf of the Agency by the authorized Contracting Officer is recommended.

Contracting Officer, DPS/DCI

CONCURRENCES:

Director of D and P, DPS/DCI

Comptroller, DPS/DCI

Office of General Counsel

Approval requested in paragraph 5, granted.

RICHARD M. BISSELL, JR.  
Special Assistant to the Director  
for Planning and Development

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**SECRET**

DPS-1818  
Copy 2 of 3

25 June 1958

**CENTRAL INTELLIGENCE AGENCY  
Contracting Officer's  
DETERMINATIONS AND FINDINGS**

**AUTHORITY TO NEGOTIATE CONTRACT**

The Central Intelligence Agency proposes to enter into a contract with Hycon Mfg. Company, Pasadena, California, for furnishing spare parts, modification kits, components and data for equipment of types which have been, are being or may hereinafter be manufactured by the Contractor.

I hereby find that this procurement, Project CHALICE is estimated to cost \$135,000 of which \$67,500 is chargeable to CHALICE Fiscal Year 1959 funds, and \$67,500 is chargeable during F.Y. 1959 to "NO YEAR" Air Force money. I also find that this procurement is in the interest of National Defense and that it will be certified by the Director of Central Intelligence in accordance with procedure approved by the DCI on 15 December 1956, to be for objects of a confidential, extraordinary and emergency nature and therefore within the purview of procurement authority of the Agency as stated in Section 10(b) of Public Law 110, 81st Congress. Procurement by formal advertising of the services called for by the proposed Contract No. HF-CT-696 would result in public disclosure of the nature and character of basic equipment previously procured and would thereby jeopardize the security classification of this project.

I hereby determine, as Contracting Officer for this contract, that the necessity and authority for negotiation of this contract have been adequately documented by proper Agency authority, and that the proposed contract must necessarily be negotiated without formal advertising.

  
Contracting Officer, DPS/DCI

DPS/DCI:HL:pf  
Distr:  
Orig - OFFLET/CT  
✓ 2 - Finance  
3 - Chrono

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